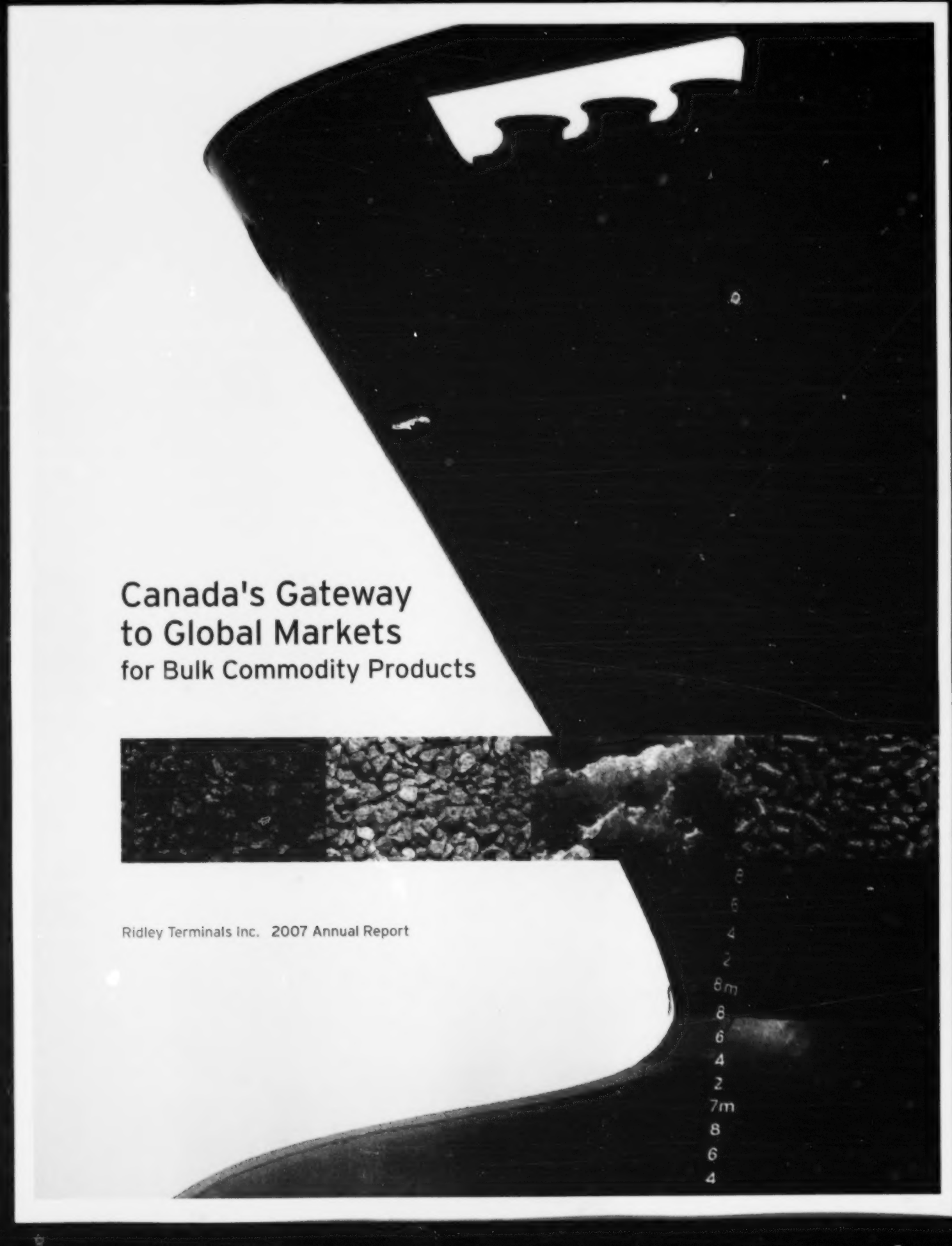


Canada's Gateway to Global Markets

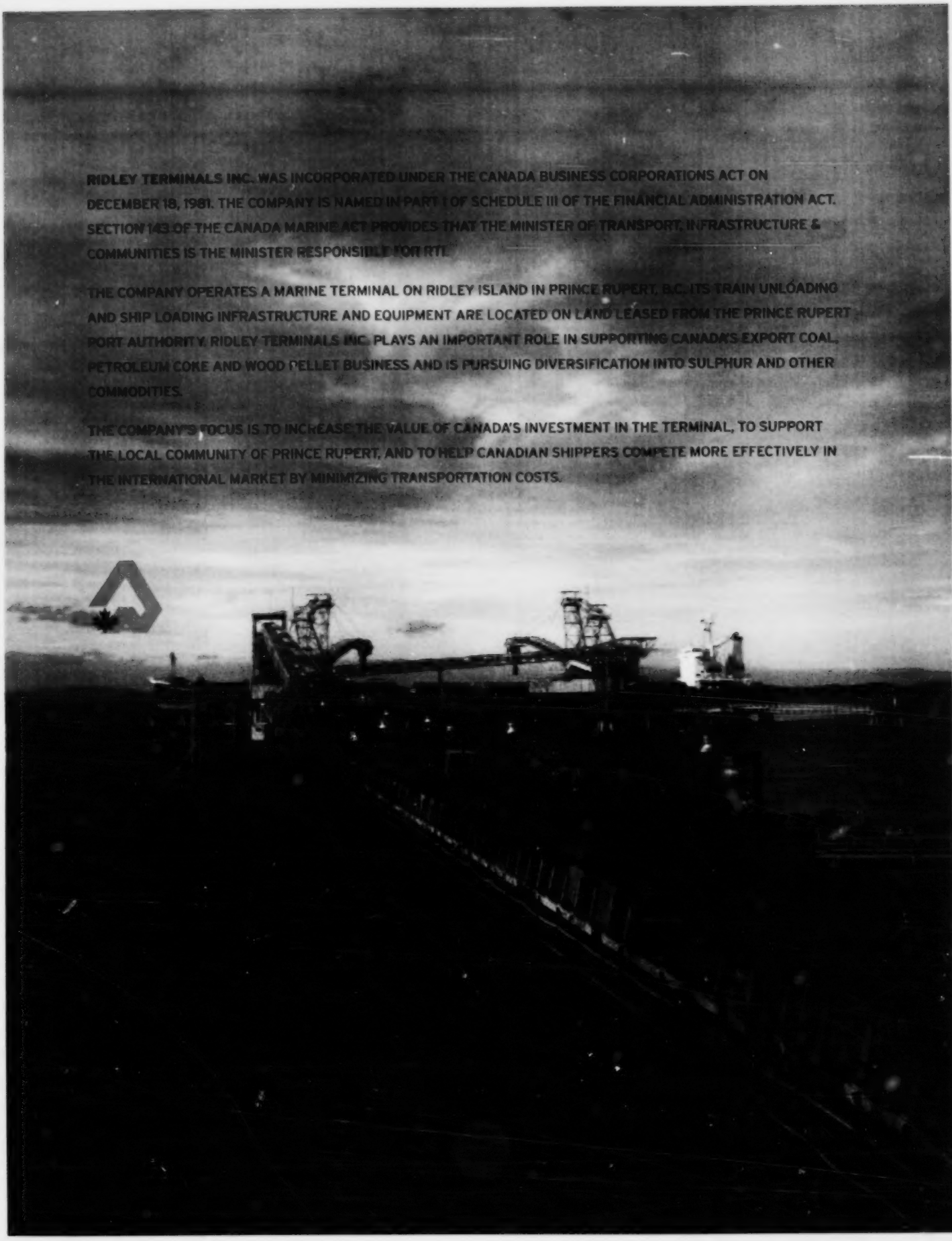
for Bulk Commodity Products

Ridley Terminals Inc. 2007 Annual Report

RIDLEY TERMINALS INC. WAS INCORPORATED UNDER THE CANADA BUSINESS CORPORATIONS ACT ON DECEMBER 18, 1981. THE COMPANY IS NAMED IN PART I OF SCHEDULE III OF THE FINANCIAL ADMINISTRATION ACT. SECTION 143 OF THE CANADA MARINE ACT PROVIDES THAT THE MINISTER OF TRANSPORT, INFRASTRUCTURE & COMMUNITIES IS THE MINISTER RESPONSIBLE FOR RTI.

THE COMPANY OPERATES A MARINE TERMINAL ON RIDLEY ISLAND IN PRINCE RUPERT, B.C. ITS TRAIN UNLOADING AND SHIP LOADING INFRASTRUCTURE AND EQUIPMENT ARE LOCATED ON LAND LEASED FROM THE PRINCE RUPERT PORT AUTHORITY. RIDLEY TERMINALS INC. PLAYS AN IMPORTANT ROLE IN SUPPORTING CANADA'S EXPORT COAL, PETROLEUM COKE AND WOOD PELLET BUSINESS AND IS PURSUING DIVERSIFICATION INTO SULPHUR AND OTHER COMMODITIES.

THE COMPANY'S FOCUS IS TO INCREASE THE VALUE OF CANADA'S INVESTMENT IN THE TERMINAL, TO SUPPORT THE LOCAL COMMUNITY OF PRINCE RUPERT, AND TO HELP CANADIAN SHIPPERS COMPETE MORE EFFECTIVELY IN THE INTERNATIONAL MARKET BY MINIMIZING TRANSPORTATION COSTS.



RIDLEY TERMINALS INC. WAS INCORPORATED UNDER THE CANADA BUSINESS CORPORATIONS ACT ON DECEMBER 18, 1981. THE COMPANY IS NAMED IN PART I OF SCHEDULE III OF THE FINANCIAL ADMINISTRATION ACT. SECTION 143 OF THE CANADA MARINE ACT PROVIDES THAT THE MINISTER OF TRANSPORT, INFRASTRUCTURE & COMMUNITIES IS THE MINISTER RESPONSIBLE FOR RTL.

THE COMPANY OPERATES A MARINE TERMINAL ON RIDLEY ISLAND IN PRINCE RUPERT, B.C. ITS TRAIN UNLOADING AND SHIP LOADING INFRASTRUCTURE AND EQUIPMENT ARE LOCATED ON LAND LEASED FROM THE PRINCE RUPERT PORT AUTHORITY. RIDLEY TERMINALS INC. PLAYS AN IMPORTANT ROLE IN SUPPORTING CANADA'S EXPORT COAL, PETROLEUM COKE AND WOOD PELLET BUSINESS AND IS PURSUING DIVERSIFICATION INTO SULPHUR AND OTHER COMMODITIES.

THE COMPANY'S FOCUS IS TO INCREASE THE VALUE OF CANADA'S INVESTMENT IN THE TERMINAL, TO SUPPORT THE LOCAL COMMUNITY OF PRINCE RUPERT, AND TO HELP CANADIAN SHIPPERS COMPETE MORE EFFECTIVELY IN THE INTERNATIONAL MARKET BY MINIMIZING TRANSPORTATION COSTS.

RIDLEY CHARTER

At Ridley Terminals we believe that our accomplishments are the total product of every person's efforts. Innovation and improvement of our company must come from those who know our business best: our individual team members.

Each R.T.I. team member is entitled to be treated equally as a valued partner with dignity and respect. Our commitment to participative management creates a safe and secure environment in which each team member has the opportunity to contribute and participate in the management and direction of the company.

1. RECOGNITION

The contribution of every team member is recognized and the right of every team member to participate in the challenge of managing is the fundamental principle of our management philosophy.

2. COMMUNICATION

Internal communication creates an atmosphere where problems and concerns may be discussed frankly and openly. Team members accept ownership of their problems in order to resolve outstanding issues. Each team member has the right and ability to discuss their concerns with each other at a convenient time and place and to openly appeal misunderstandings and complaints.

3. GOALS AND OBJECTIVES

The achievement of our corporate expectations is a shared responsibility. Each team sets its own goals within the corporate expectations and assesses its own progress and identifies solutions to its problems.

4. HIRING

Only highly capable and motivated people make our company excel. Every team member is hired on the basis of ability and overall commitment and contribution to the company. All vacancies will be circulated amongst existing team members and only if there are no qualified internal candidates, will a search commence outside the company. Every applicant is interviewed by potential associates or peers; there must be consensus that an applicant meets R.T.I.'s standards.

5. TRAINING

Training, self-improvement and personal growth are fundamental elements of our company philosophy. Opportunities for development of new skills, knowledge and experience are continually identified in directions that best serve the individual and the company.

6. COMPENSATION

In recognition of the contributions of skilled people, R.T.I. will endeavor to maintain competitive salaries - a high level of benefits - work flexibility - and productivity recognition.

Our most important resource is dedicated people who contribute their efforts to ensure that excellence prevails throughout R.T.I. The undersigned accept individual responsibility for personal support and commitment to the foregoing principles.

Forward Looking Statements

Certain statements in this annual report are forward-looking statements and are not historical facts. Inherent in these forward-looking statements are risks and uncertainties beyond the control or the ability of the Company to predict. Future results may vary materially from any results stated or inferred by forward-looking statements contained herein.

Table of Contents

02 Message from the Chairman **03** Report from the President and Chief Operating Officer **04** Overview of Objectives and Targets
07 Marketing **08** Operational Effectiveness **10** Health & Safety **12** Environment and Government Compliance **14** Quality **16** Human Resources
18 Transportation Links **20** Glossary **21** Management Discussion & Analysis **27** Corporate Governance **28** Management Responsibility
28 Auditor's Report **29** Balance Sheet **30** Statement of Operations, Comprehensive Income and Accumulated Deficit **31** Statement of Cash Flows
32 Notes to Financial Statements **37** Five Year Comparative Information **38** Officers, Directors & Management / Corporate Information

MESSAGE FROM THE CHAIRMAN

June 2008

The Honourable Lawrence Cannon, P.C., M.P.
Minister of Transport, Infrastructure & Communities

Dear Minister:

The Pacific Northwest is Canada's Gateway to the fastest growing markets in the world – China and India. Through its natural attributes as a deep water port, its geographical proximity to its customers, and the Government of Canada's major investments in bulk and container handling, Canada's Northwest has become a vital strategic link for trade to the Far East. Ridley Terminals Inc. (RTI) is a critical part of the federal government's strategic port assets in the area.

Our board and management are also undergoing change. Rhoda Witherly's mandate concluded in December, and the terms of Wayne Stoilen, Sue Stushnoff and Penny Denton expired in the first half of 2008. By definition, crown corporations are a public trust. The colleagues I have recently joined, and their predecessors, personify the essence of public service. I thank them most sincerely for their service. Greg Slocombe and Cam McIntyre have resigned from the company. Our board thanks them for their service to the company.

Change offers an opportunity for renewal. We've seized it. I am pleased to welcome Dave Parker, Byng Giraud, Doug Knowles, Elmer Derrick, and Scott Shepherd to the board. They are all accomplished leaders in their fields. The board has moved quickly to create several new vehicles to strengthen governance and to ensure more effective oversight and accountability. These include an executive, audit, compensation and pension, and corporate affairs committee of the board. We've also launched several initiatives to improve RTI's competitiveness, and in the coming weeks, will unveil plans to modernize operations. Our intention is to make strategic, high pay-back investments aimed at productivity and cost efficiency.

Leading that effort will be George Dorsey, our new President and Chief Operating Officer, who was appointed in May. George is a seasoned professional who has served in varied senior management roles at Coffeyville Resources, Aquila Energy (Senior Vice President), Duke Energy (Group Vice President), Euro Brokers Incorporated, Associated Metals and Minerals Corporation, Pechiney Ugine Kuhlmann, and Merrill Lynch. His industrial experience covers natural gas, oil, petrochemicals, air emission allowances, agricultural chemicals, metals, coal, petroleum coke, and other bulk raw materials.

I am also very pleased to report that on June 3, 2008, the board of directors of Ridley Terminals and the International Longshore and Warehouse Union Canada, Local 523, announced the ratification of a new collective agreement. The term of the contract is seven years, effective May 26, 2008. We are delighted with this groundbreaking agreement, which provides RTI's customers and suppliers with the certainty of a long term labour stability, and our employees with a sense of security and ability to focus on growing our business for the long term.

In the past few years, RTI has struggled through weak coal markets. Market fundamentals began to shift in 2005 as strong global demand for coal, particularly fuelled by a massive building boom from China, resulted in an improvement in the financial performance of the company. For the year ended December 31st, the company reported net income of $4.3 million, an increase of 2.6 million over 2006. In 2007, 5.1 million tons of product was shipped through the terminal, an 82% increase from 2006. Despite this encouraging performance, RTI remains a vastly under-utilized facility. For the year ended December 31, 2007, the company ran at less than 35% of its operating capacity of 16.5 million tons. In 2008 it is projected to run at less than 50% of its capacity. While an improvement, this is clearly an inefficient utilization of assets. Therefore, our sharp focus in 2008 will be to further and significantly increase volumes through aggressive marketing and partnership initiatives. The quality of our assets, our location, and the size of our property are unique competitive advantages that we will leverage much more effectively.

The early stages of a tightening in the credit cycle and correction in stock markets became apparent in the second half of 2007. The resulting volatility in global capital markets so far in 2008 suggests that we are entering a period of slower economic growth, and perhaps even contraction. The current economic turbulence is a cogent reminder that our business, with little advance warning, can turn on a dime. That's why we must and will do a better job of broadening our client base, offering more and better value-added service to customers, and improving cost competitiveness. It also highlights the urgency in strengthening relationships with producers.

In 2005, the Auditor General conducted a Special Examination on RTI which found areas in need of improvement in reporting, benchmarking and marketing, among other matters. The board and management are addressing the remaining outstanding issues and I expect to report to you in the next few weeks on RTI's positive response to the Auditor General's recommendations.

On behalf of my colleagues and everyone at Ridley Terminals Inc., I wish to convey my sincere appreciation to you and your cabinet colleagues, as well as your officials and staff at Transport Canada, Treasury Board, and Privy Council Office, for your steadfast support through exceedingly difficult years. It goes without saying that without it, the progress achieved in 2007 and the opportunities we are poised to seize this year and beyond, would not have been possible.

Minister, I am therefore pleased to submit the 2007 annual report for Ridley Terminals Inc. I look forward to working with you and your officials in the coming year.

Yours sincerely,

Daniel D. Veniez
Chairman of the Board

REPORT FROM THE PRESIDENT AND CHIEF OPERATING OFFICER

2007 was a year of significant progress for Ridley Terminals Inc. During the year, the Company continued to expand its workforce and returned to operating 24 hours per day, 7 days per week. The volumes shipped during the year nearly doubled, and a new product was handled. In the midst of all these changes, I am extremely happy to report that the Company's positive safety record continued. During 2007, there was just one lost-time accident, which occurred after completion of over 15 months without a lost-time accident.

The credit for our excellent safety record goes to our employees. Particular thanks needs to go to those employees who have been responsible for the training of our new employees, as well as to those new employees themselves. Ridley Terminals Inc. is a large industrial establishment, which has the potential for serious injury if safety precautions are not foremost in our employee's minds. I believe the mind-set of our employees, and the safety programs in place, will enable us to prevent any lost-time accidents in 2008.

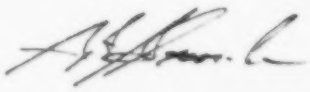
Our most significant operating challenge in 2007 was, and continues to be, the handling of aluminum rail cars. The Company's rail car dumper is designed to handle steel cars. The aluminum cars are shorter than the steel cars, and therefore cannot currently be dumped without uncoupling the cars. This is a much slower, labour-intensive process. The time taken to unload rail cars was our customer's most significant concern, and the number of aluminum cars to be handled continues to increase. Ridley Terminals Inc. is taking steps to modify our equipment to allow aluminum cars to be unloaded more quickly.

Ridley Terminals Inc. commenced handling of wood pellets in 2007. This was a further step in the Company's plans for diversification. While the volume handled in 2007 was small, it is expected to grow in the coming years. A number of other diversification opportunities are currently being evaluated.

Management and the Board of Directors completed an enterprise risk assessment in 2007. This was a very useful process, as the known risks to the Company were listed and ranked. The results of this assessment have been integrated in our goals and objectives for 2008, which has resulted in some changes in the presentation of these goals.

The Company continues to have an excellent environmental record, meeting all of the requirements of its environmental permits.

I would like to conclude with a few thoughts on our markets. Coal volumes have grown substantially in the last two years, and I expect they will continue to grow for a number of years. The development of new mines in Northeast BC continues, and volumes of coal and petroleum coke coming from Alberta are expected to grow. I look forward, next year, to being able to report that Ridley Terminals Inc. has set a new record for total volumes handled in a year.



Gregory A. Slocombe
President & Chief Operating Officer

OVERVIEW OF OBJECTIVES AND TARGETS

Marketing

Objective

Be the Terminal of Choice for coal, petroleum coke and other products

2007 **T**argets / **R**esults

T Increase volume of coal and petroleum coke handled in 2007

R Volumes increased 82%

T Work with CN to re-direct Alberta coal to the terminal

R Volume of Alberta coal increased 44%

T Identify a use for the bulk liquid tanks

R Sulphur project requires one tank

T Evaluate at least one other product that can be handled through the terminal

R Discussions held with a number of parties

T Commence and grow shipments of wood pellets

R Shipments commenced in May 2007

2008 Targets

Increase volumes handled

Increase number of customers

Identify a use for the remaining bulk liquid tank

Operational Effectiveness

Objective

Provide reliable and cost effective service

2007 **T**argets / **R**esults

T Implement automation and technology upgrades

R Preparation of an RFP for new electrical drives underway at year end

T Identify and implement productivity benchmarks

R Using CETOA productivity benchmark

T Reduce terminal equipment delays to less than 5% of operating hours

R Ship loading delays were 4.7%

T Develop an incentive program for improved productivity

R Management incentive program in place for 2007

T Continue development of multi-skilled workforce (Add 4 new multi-skilled employees)

R Tradesmen working in operations are acquiring multiple skills

2008 Targets

Replace electrical drives on indexers

Complete repairs on primary electrical substation

Reduce equipment downtime per operating hour

Complete disaster recovery plan

Improve effectiveness of management incentive program

Reduce manning required to unload aluminum rail cars

Health & Safety

Objective

A safe, healthy and accident-free workplace

2007 **T**argets / **R**esults

T Maintain focus on no lost time accidents or lost work days

R Went over 15 months without a lost time accident

T Improve effectiveness of Planned Inspections by completing within 30 days

R Average inspection took 112 days to complete

T Seek agreement with union on implementing a safety review program

R Site-wide safety meetings re-started

T Conduct hazard assessment on new products and tasks

R Additional hazard assessment completed on wood pellet project to address dust concerns

T Implement a due diligence action plan

R Training of management complete; work underway to upgrade training record system

2008 Targets

Maintain focus on no lost time accidents or lost work days

Improve effectiveness of Planned Inspections by completing within 14 days

Maintain OHSAS 18001 management system certification

Resolve wood pellet dust and handling issues

Complete due diligence management system

Environment and Government Compliance

Objective

Meet or exceed all regulatory requirements

2007 Targets / Results

T Maintain or reduce levels of released contaminants below those set by permit or legislative requirements

R All permit requirements met

T Reduce or eliminate cross-contamination of different products on site

R Wood pellet operations successfully begun

2008 Targets

Maintain or reduce levels of released contaminants below those set by permit or legislative requirements

Maintain ISO 14001 management system certification

Annual report issued on time

Complete review of options to replace bag house

Quality

Objective

Meet or exceed customer and stakeholder requirements

2007 Targets / Results

T Maintain or improve customer satisfaction, as measured by the annual customer survey

R Delays in unloading trains decreased customer satisfaction score

T Improve coal train unloading time in 2007 compared with 2006

R 7% improvement in coal unit train unloading time

T Improve ship loading rate in 2007 over 2006

R 2,029 tonnes per hour in 2007 vs. 1,561 tonnes per hour in 2006

T Achieve ship loading scale reliability within 1% of draught survey results

R New ship loading scale on order at year end

T Improve coal yard utilization

R Plans completed to purchase newer bulldozers

2008 Targets

Maintain or improve customer satisfaction, as measured by the annual customer survey

Improve coal train unloading time in 2008 compared with 2007

Improve ship loading rate in 2008 over 2007

Complete installation of new ship loading scale and install new scales on stacker-reclaimers

Maintain ISO 9001 management system certification

Human Resources

Objective

To be the Employer of Choice

2007 Targets / Results

T Complete succession planning process

R Two new professionals hired

T Maintain focus on employee work attendance, improving upon 2006's industry-leading performance

R Absences increased in 2007, but are still below National average

T Become one of the "50 Best Small Employers in Canada" by 2008

R Plans underway to commence internal employee satisfaction survey

T Develop innovative and effective training and apprenticeship programs to meet requirements for multi-skilled employees

R Discussion with local community college continuing

T Improve team member participation in ISO

R Three new internal ISO auditors recruited

T Complete hiring and training of expanded workforce

R Virtually all hiring completed by year end

2008 Targets

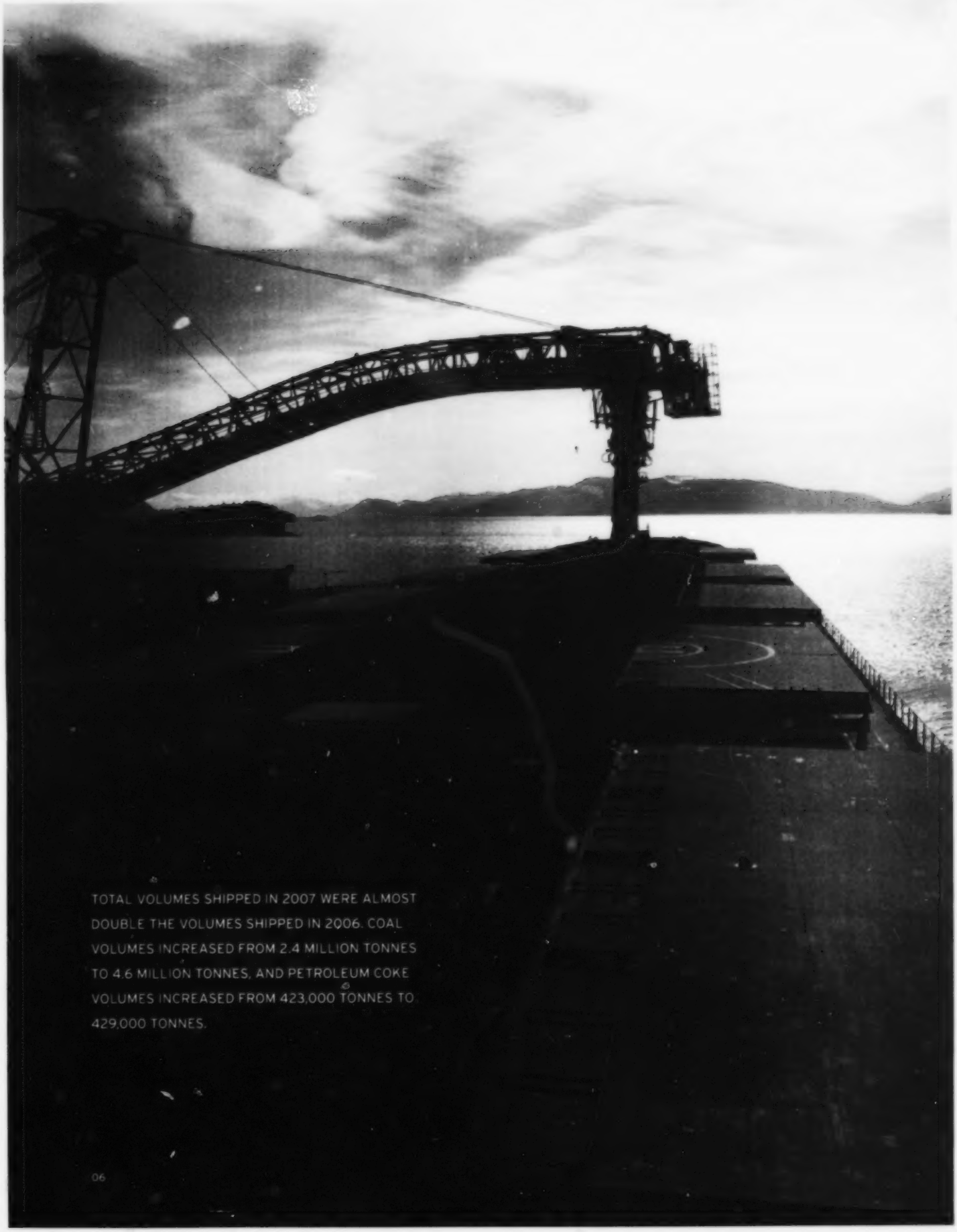
Conclude collective bargaining without a work stoppage

Maintain focus on employee work attendance, improving upon 2006's industry-leading performance

Implement an employee satisfaction survey

Carry out additional training, including apprenticeships

Improve consultation with employees on contracting-out decisions



TOTAL VOLUMES SHIPPED IN 2007 WERE ALMOST DOUBLE THE VOLUMES SHIPPED IN 2006. COAL VOLUMES INCREASED FROM 2.4 MILLION TONNES TO 4.6 MILLION TONNES, AND PETROLEUM COKE VOLUMES INCREASED FROM 423,000 TONNES TO 429,000 TONNES.

REVIEW OF OPERATIONS

MARKETING

OBJECTIVE

Be the "Terminal of Choice" for coal, petroleum coke and other products

TARGETS

1. Increase volume of coal and petroleum coke handled in 2007
2. Work with CN to re-direct Alberta coal to the terminal
3. Identify a use for the bulk liquid tanks
4. Evaluate at least one other product that can be handled through the terminal
5. Commence and grow shipments of wood pellets

Marketing is a key activity for Ridley Terminals Inc. Signing long-term contracts to handle additional volumes of coal and diversifying into other commodities are key objectives for the Company. Ridley Terminals Inc. will remain profitable if additional revenue can be generated.

1. Increase volume of coal and petroleum coke handled in 2007

Total volumes shipped in 2007 were almost double the volumes shipped in 2006. Coal volumes increased from 2.4 million tonnes to 4.6 million tonnes, and petroleum coke volumes increased from 423,000 tonnes to 429,000 tonnes. Including the shipments of 65,000 tonnes of wood pellets that began during the year, the total volume shipped from Ridley Terminals Inc. in 2007 was 5.1 million tonnes compared with 2.8 million tonnes in 2006.

2. Work with CN to re-direct Alberta coal to the terminal

Metallurgical coal from the Grande Cache and Cheviot mines in Alberta has traditionally been delivered to coal terminals in Vancouver because the rail distance from these mines to Vancouver is shorter than the rail distance to Ridley Terminals Inc. in Prince Rupert. As a result, the rail charge to Vancouver has been lower than the corresponding rail charge to Prince Rupert.

In 2006 and 2007 the railway's pricing philosophy began to change, as the congestion on the rail line from Alberta to Vancouver has continued to grow. As a result, it is now possible for unit trains to achieve a considerable time savings traveling to Prince Rupert instead of Vancouver. CN Rail has a specific "Prince Rupert" strategy in place to increase the volumes it handles on the rail line to Prince Rupert. This change resulted in shipments of some Alberta thermal coal from the Coal Valley mine to come through Ridley Terminals Inc. These shipments increased 44% in 2007 over 2006.

Management continues to work with the railway to bring some of the coal from the Grande Cache and Cheviot coal mines to Ridley Terminals Inc. Specific marketing plans are also underway between CN Rail and Ridley Terminals Inc. to target potential petroleum coke and asphaltene volumes from new oil upgrading facilities to ship through Prince Rupert. This has resulted in one contract being signed in the first quarter of 2008 for delivery of additional product.

During 2007 Ridley Terminals Inc. began negotiations with Grande Cache Coal towards a contract that may see some of the coal from Grande Cache come to Prince Rupert beginning in the second quarter of 2008.

3. Identify a use for the bulk liquid tanks

As the liquid storage tanks and the ship loading pipe are not required for currently planned projects, the Company has looked to find another use for these assets. Discussions have been held with a number of parties over possible uses of these assets for handling a number of different liquid products. A number of these parties are still considering the use of these assets. During 2008 efforts will continue to come to an agreement with a party with a viable commercial proposal for the use of the tanks and ship loading pipe.

4. Evaluate at least one other product that can be handled through the terminal

Given the Company's experience in 2004, when no coal ships were loaded, Ridley Terminals Inc. continues to actively look at other diversification opportunities. Further diversification will provide the Company with some stability during periods of fluctuating coal markets.

In addition to various discussions over handling liquids (as noted above) the Company has discussed possible shipment of many other commodities. In 2007, this included enquires with respect to handling wood chips, iron ore pellets, copper concentrate and potash. During 2008 management will continue to respond to requests from, and to actively seek out, third parties that could lead to further diversification.

5. Commence and grow shipments of wood pellets

Late in 2006 Ridley Terminals Inc. and Houston Pellet Inc. began work on a wood pellet handling facility. This facility loaded its first vessel in May 2007, and has shipped approximately one vessel per month since that time. Initial shipments have been quite small (8,000 to 12,000 tonnes per vessel), but construction of additional storage silos could see larger vessel loadings in subsequent years. Ridley Terminals Inc. and Houston Pellet Inc. are optimistic that the volume of wood pellets handled will grow over the coming years.

OPERATIONAL EFFECTIVENESS

OBJECTIVE

Provide reliable and cost effective service

TARGETS

1. Implement automation and technology upgrades
2. Identify and implement productivity benchmarks
3. Reduce terminal equipment delays to less than 5% of operating hours
4. Develop an incentive program for improved productivity
5. Continue development of multi-skilled workforce (Add 4 new multi-skilled employees)

Cost control is an ongoing objective for the Company because of its ability to provide our customers with a competitive advantage over the terminals in Vancouver, BC and in Australia. Most bulk commodities are sold into cyclical markets. While coal prices are currently at record high levels, this is not expected to last indefinitely. Ridley Terminals Inc. believes that having a cost advantage is necessary if the Company is to be successful through the highs and lows of commodity price cycles.

Looking towards 2008, Ridley Terminals Inc.'s objective in this area will be broadened to "Operational Effectiveness". The targets in this area will focus on addressing a broader range of risks to the Company's operations, in addition to an ongoing focus on improving cost effectiveness.

1. Implement automation and technology upgrades

Ridley Terminals Inc. added Link Simpson, an electrical engineer, to its staff complement during 2007 to supervise the Electrical Department. Having this skill set on board is an important step towards moving the Company towards further automation.

Options towards automation were investigated during 2007, and the Company determined that certain other infrastructure upgrades needed to take place before work on automation proceeds. These changes will include replacing a number of electrical drives, and an upgrade to the "information highway" on site. Work on these projects will take place during 2008, which should enable Ridley Terminals Inc. to move towards further automation in 2009.

2. Identify and implement productivity benchmarks

CETOA is the Coal Export Terminal Operators Association. Coal terminals from countries around the world, including Canada, Australia, the United States, Indonesia and

Columbia are members of CETOA. Each quarter CETOA gathers data on throughput volumes and hours worked from each of its members. In 2006, analysis of this data shows that on average CETOA members loaded 107,000 tonnes per man year; 2007 data is not yet available.

Ridley Terminals Inc. moved 75,000 tonnes per man year in 2007, up from 58,000 in 2006. This remained below the CETOA average primarily because the terminal continues to operate well below capacity, while many CETOA members operate at full capacity.

3. Reduce terminal equipment delays to less than 5% of operating hours

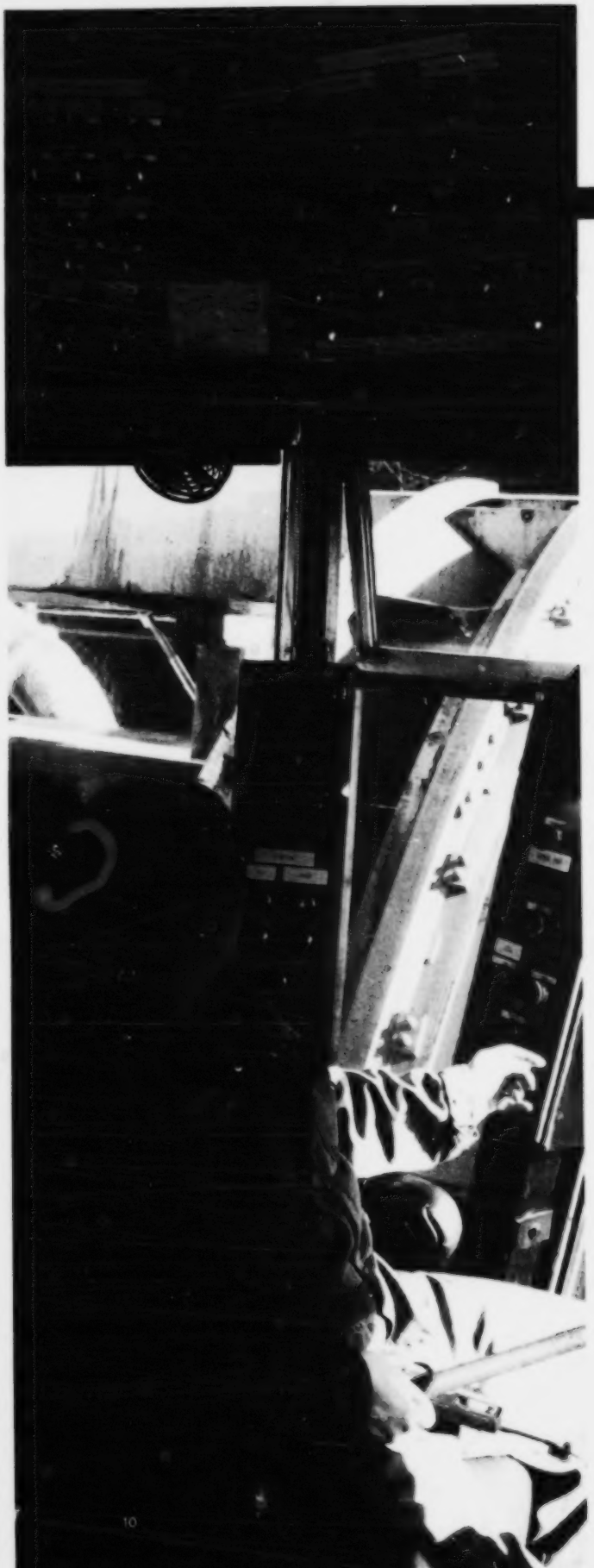
During 2006 equipment delays accounted for 3.8% of the operating time while loading vessels. As volumes handled increased over 2006, additional delays arose due to the age of much of the Company's equipment. As a result, delays increased to 4.7% of operating time while loading vessels in 2007. The Company has not yet completed a project to calculate delays during train unloading.

4. Develop an incentive program for improved productivity

Ridley Terminals Inc. has a long-standing productivity bonus, whereby all employees share equally the net despatch earned for prompt loading of vessels. This bonus continues to be in place, and for 2007 paid out a record bonus to the Company's employees. During 2007 other incentives have been considered, and management will be discussing these with the union during collective bargaining in 2008.

5. Continue development of multi-skilled workforce

Some tradesmen have accepted postings into the operations department, and other tradesmen have been hired as operators. This provides a core group of employees who may be able to use their multiple skills to improve the productivity of Ridley Terminals Inc.



HEALTH & SAFETY

OBJECTIVE

A safe, healthy and accident-free workplace

TARGETS

1. Maintain focus on no lost time accidents or lost work days
2. Improve effectiveness of Planned Inspections by completing within 30 days
3. Seek agreement with union on implementing a safety review program
4. Complete hazard assessment on new products and tasks
5. Implement a due diligence action plan

Ridley Terminals Inc. continues to have an excellent safety record. During 2007 the Company completed a period of over 15 months without a lost-time accident. Ongoing excellence in safety performance is a key objective for Ridley Terminals Inc.

1. Maintain focus on no lost time accidents or lost work days

In order to provide a safe and healthy work environment the Company has in place a health & safety management system that identifies risks and promotes continual improvement. This management system is registered to the British OHSAS 18001 standard. An effective health and safety management system allows Ridley Terminals Inc. to meet its legal and moral obligations to its employees.

Ongoing safety activities include each team holding monthly safety meetings and pre-job tailgate meetings. Quarterly safety barbecues are held every time the Company completes three months without a lost time accident. Particular attention was made in 2007 to ensure the employees hired in 2006 and 2007 (resulting in a doubling of the size of the workforce) were complying with essential safety procedures such as confined space entry, fall protection and lock-out of equipment.

In the fourth quarter of 2007 one lost-time accident occurred, resulting in 7 lost days. This accident ended a period of over 15 months without a lost-time record, setting a new record for the Company.

Two indicators of the Company's safety record are the number of lost time accidents, summarized in the table, and the premium paid by Ridley Terminals Inc. for its Worker's Compensation Board ("WCB") premiums. These WCB premiums have fallen by over 75% in the last five years.

Lost Time Accident Record

Year	Lost time accidents	Lost days
2003	2	9
2004	0	0
2005	3	15
2006	2	2
2007	1	7

2. Improve effectiveness of Planned Inspections by completing within 30 days

Ridley Terminals Inc. uses a Planned Inspection program to ensure that all areas of the site are inspected on a regular basis. All of the management team and the members of the Safety Committee participate in these inspections.

Completion of the planned inspections was very poor in 2006 and 2007. The target to complete the inspections is 30 days, but the average time taken to complete the inspections was 112 days in 2007 and 136 days in 2006.

Year	Average days required to complete planned inspection
2003	41
2004	31
2005	51
2006	136
2007	112

Management will continue to focus on improving its completion of planned inspections in 2008.

3. Seek agreement with union on implementing a safety review program

In the third quarter of 2007 the union and management agreed to re-start a site-wide monthly safety meeting. This meeting will allow all team members to work together on improvements to the safety system at Ridley Terminals Inc.

4. Complete hazard assessment on new products and tasks

The amount of wood dust generated during wood pellet operations proved to be much more than expected when the facility was designed. As a result, Ridley Terminals Inc. has implemented some changes, and continues to investigate a number of other changes that will help to control the dust.

HEALTH, SAFETY, ENVIRONMENTAL AND QUALITY POLICY

At Ridley Terminals Inc. we believe that the health and safety of people, protecting the environment and customer satisfaction are of paramount importance.

Ridley Terminals Inc. is committed to:

Satisfying customer requirements consistently and cost effectively.

Preventing accidents, injuries, illness and environmental pollution.

Meeting all organizational standards and legal requirements.

Ensuring that health, safety and environmental aspects are identified, assessed and managed.

Responding quickly and effectively to incidents and concerns related to our operations.

Following defined control practices and procedures.

Setting objectives and targets for continucus health, safety, environmental and quality improvements.

Specific measures taken to date have been the installation of a dust collection system in the rail car unloading station, and the availability of personal protective equipment to ensure individual employees are not exposed to excessive dust. Investigation is ongoing with respect to the use of "dust-less chutes" for loading the wood pellets into ship's holds.

5. Implement a due diligence action plan

In January, 2007 the management team received training in due diligence, which was the first step required in the development of a due diligence action plan. During the year work has continued to ensure the system used to track training provides consistent information on the completion of training for new employees. Ongoing work will be to expand the equipment included in the training system.

ENVIRONMENT & GOVERNMENT COMPLIANCE

OBJECTIVE

Meet or exceed all regulatory requirements

TARGETS

1. Maintain or reduce levels of released contaminants below those set by permit or legislative requirements
2. Reduce or eliminate cross contamination of different products on site

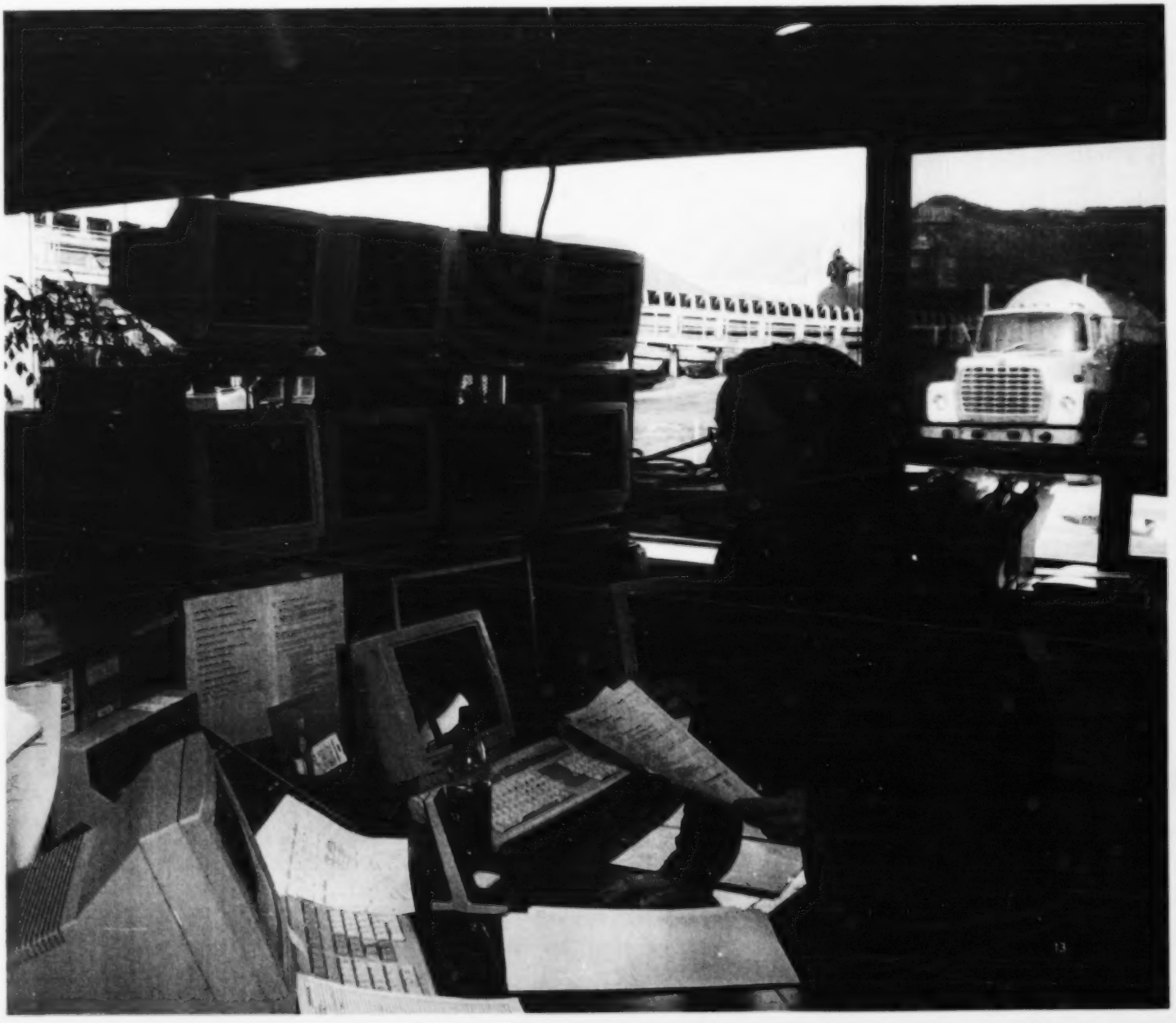
Ridley Terminals Inc. maintains an Environmental Management System registered to the ISO 14001-2004 standard. This management system helps the Company to reach its objective: to meet or exceed all environmental regulatory requirements. As a result, Ridley Terminals Inc. continues to have an excellent environmental record.

1. Maintain or reduce levels of released contaminants below those set by permit or legislative requirements

Ridley Terminals Inc. operates under one permit for air emissions from the site and another two permits for water outflow from the Company's settling ponds. These environmental permits are issued by the BC Ministry of the Environment. The Company continues to operate with actual emissions significantly below the limits set by the permits.

2. Reduce or eliminate cross contamination of different products on site

Ridley Terminals Inc. is currently handling three products: coal, petroleum coke and wood pellets. Other products may be added in coming years. As new products are added, Ridley Terminals Inc. ensures the design is appropriate to ensure cross contamination of products can be avoided. The Company's ISO 9001 quality management system is also a key to ensuring there is no cross-contamination of products.



QUALITY

OBJECTIVE

Meet or exceed customer and stakeholder requirements

TARGETS

1. Maintain or improve customer satisfaction, as measured by the annual customer survey
2. Improve coal train unloading time in 2007 compared with 2006
3. Improve ship loading time in 2007 over 2006
4. Achieve ship loading scale reliability within 1% of draught survey results
5. Improve coal yard utilization

Ridley Terminals Inc. has a quality management system that is registered to the ISO 9001-2000 standard. This system focuses on continual improvement in quality and increased customer satisfaction. This section of the annual report will describe some of the specific accomplishments of Ridley Terminals Inc. towards improving customer satisfaction in 2007.

1. Maintain or improve customer satisfaction, as measured by the annual customer survey

Ridley Terminals Inc. has conducted customer satisfaction surveys since 2004. The results of these surveys for the last three years are summarized in the following table:

Year	Number of Customer Surveys returned	Degree to which Customer Expectations were met (out of 5)	Areas for improvement
2005	4	4.45	- Prefer 24 hour operation - Need ability to sign long-term contracts
2006	4	4.25	- Prefer 24 hour operation - Rail and tug costs high
2007	3	3.53	- Need to improve turn-around time for rail cars - Improve metal detection

The results of the survey show that overall customer satisfaction with the services provided by Ridley Terminals Inc. remains at a high level, but there are specific areas that need to be addressed. The concerns with train unloading time are discussed below. The problems with the functioning of metal detectors has been addressed through a combination of heightened maintenance levels and upgrading of some components of the metal detectors.

2. Improve coal train unloading time in 2007 compared with 2006

Ridley Terminals Inc. unloaded 242 unit trains of coal in 2006. The average time those trains were on site was 10.68 hours. In 2007 the Company unloaded 457 trains which were on site for an average of 9.95 hours. This represents a 7% improvement in performance.

During 2006 Ridley Terminals Inc. worked a shift of 12 hours per day, 7 days per week. As a result, many trains arrived during the night when the terminal was not staffed, or late in the working shift when there were not enough hours left to complete the unloading of the train. On May 6, 2007 the Company returned to operating 24 hours per day, 7 days per week. The additional operating hours helped to reduce the unloading time; however this gain was offset by an increased percentage of aluminum train sets unloaded because these sets take much longer to unload. In 2008 RTI will operate 24 hours per day for the full year, which is expected to further reduce the average unit train unloading time.

In addition to handling coal, the Company unloaded 107 sets of rail cars of petroleum coke in 2006. The average time those sets of cars were on site was 40.99 hours. This increased to an average handling time of 44.14 hours in 2007, when 11 sets of rail cars of petroleum coke were on site.

The longer time taken to unload petroleum coke cars is primarily because there is a significant difference in the railway's tariff for handling unit trains of coal and sets of petroleum cars. The railway tariff requires unit trains to be unloaded in 6 hours, while sets of petroleum coke cars have up to 48 hours to be unloaded. As a result of this difference, the unloading of unit trains of coal takes precedence over the unloading of sets of petroleum coke cars.

3. Improve ship loading time in 2007 over 2006

In 2006 ships were loaded at an average rate of 1,561 tonnes per hour. This rate increased to 2,029 tonnes per hour in 2007. The number of ships loaded also increased, from 58 ships in 2006 to 77 ships in 2007. The increase in the average ship loading rate was primarily achieved because the company's return to 24 hour operation in May 2007.

Ridley Terminals Inc. expects the average loading rate to further improve in 2008, as the terminal will operate 24 hours per day, 7 days per week for the full calendar year. The Company will work hard to improve the average ship loading rate in 2008.

4. Achieve ship loading scale reliability within 1% of draught survey results

The Company's ship loading scales are not legal for tender, but rather are used to help monitor operations during ship loading. The scale weights are regularly compared to the

QUALITY MISSION STATEMENT

At a meeting of the Board of Directors on December 2, 1996 RTI adopted its Quality Mission Statement. This statement was the foundation for the terminal's subsequent registration under ISO 9002-1994 (now ISO 9001-2000).

The Quality Mission Statement is as follows:

Ridley Terminals Inc., as a marine terminal, provides continuous, high quality and high performance rail car unloading, product storage and vessel loading services.

At Ridley Terminals Inc. our customers are our reason for being. To help our customers deliver the best possible product, we are committed to providing the best quality service in a cost effective way.

To fulfill this commitment we operate in a participative management environment, as outlined in the Ridley Charter. Building on a proven history of uninterrupted service, all team members of Ridley Terminals Inc. work to satisfy the needs and desires of our customers efficiently and effectively.

ship draught survey, which provides the actual weight of coal loaded on the vessel for invoicing purposes. This comparison has identified that the scale weights do not provide consistent information.

The scale on conveyor 404 was repaired and monitored during 2007, so that for most of the year it was providing acceptable results. During inclement weather this scale has a greater likelihood of errors. A new scale for this conveyor was received late in 2007, and will be installed in 2008. Ridley Terminals Inc. expects this new scale will provide consistently accurate readings.

5. Improve coal yard utilization

As volumes increase at Ridley Terminals Inc., the storage space in the coal yard is expected to be fully utilized. In order to maximize this usage, coal will sometimes need to be bulldozed. The Company's existing bulldozers are almost 30 years old, and are due for replacement.

During 2007 options to replace the bulldozers were reviewed. Ridley Terminals Inc. expects to acquire replacement bulldozers in 2008.

HUMAN RESOURCES

OBJECTIVE

To be the "Employer of Choice"

TARGETS

1. Complete succession planning process
2. Maintain focus on employee work attendance, improving upon 2006's industry-leading performance
3. Become one of the "50 Best Small Employers in Canada" by 2008
4. Develop innovative and effective training and apprenticeship programs to meet requirements for multi-skilled employees
5. Improve team member participation in ISO
6. Complete hiring and training of expanded workforce

The Company has established its human resources objective to be the "Employer of Choice" in order for Ridley Terminals Inc. to be able to attract, train and keep the workers it needs. During 2006 and 2007, Ridley Terminals Inc. doubled the size of its workforce. Our operations have been enhanced due to the high caliber of employees who have joined the Company.

1. Complete succession planning process

During 2007 Ridley Terminals Inc. added two professionals to its management team, an electrical engineer and an accountant. Work has also continued to identify other team members who could be developed for management positions in the future.

2. Maintain focus on employee work attendance, improving upon 2006's industry-leading performance

The average non-work related absences per employee were very low for Ridley Terminals Inc. in 2006, averaging only 2.9 days per employee. This number increased in 2007 to 5.8 days per employee, primarily as a result of two employees who went on long-term disability late in 2007. While the comparative numbers were not available as this report was written, the company expects that this average will continue to be considerably below the national average.

One of the tools that Ridley Terminals Inc. has in place to encourage employee attendance is an incentive system that rewards employees for each year without any sick days. Annual rewards are provided for team members who have gone one year without a sick day, and larger rewards are provided for team members who have completed two or more years without a sick day. 36 team members had perfect attendance in 2007 for one or more years, compared with 24 in 2006 and 18 in 2005.

Average Non-Work Related Absences per Employee

	2003	2004	2005	2006	2007
Ridley Terminals Inc.	7.2	6.5	5.1	2.9	5.8
National Average	7.4	7.5	7.8	7.6	NA
British Columbia Average	8.1	7.3	8.5	7.6	NA

3. Become one of the "50 Best Small Employers in Canada" by 2008

Ridley Terminals Inc. believes the Company is an excellent employer, and is seeking ways to identify this to existing and potential employees. The "50 Best Small Employers in Canada" survey is sponsored by Queen's University. Companies apply to participate in the survey, and if accepted, individual surveys are sent to all employees and submitted directly to the University for their analysis. Management decided that there was a low likelihood of obtaining a sufficient number of employee surveys in 2007, and as a result, Ridley Terminals Inc. did not participate in the survey.

Looking towards 2008, management has decided to begin with an internal employee satisfaction survey, and will re-consider applying for an external survey in a future year.

4. Develop innovative and effective training and apprenticeship programs to meet requirements for multi-skilled employees

As more of Ridley Terminals Inc.'s employees approach retirement, the need to recruit and train their replacements is becoming increasingly important to the Company. Ridley Terminals Inc. continues to meet with the Northwest Community College in Prince Rupert to examine ways to make apprenticeship training available in our community. The Company has also had discussions with local First Nations to seek their partnership in training local band members.

5. Improve team member participation in ISO

As noted elsewhere in this annual report, Ridley Terminals Inc. has quality and environmental management systems registered to international ISO standards. The Company also has a health and safety management system registered to the British OSHAS standard. In order for these management systems to remain effective, all employees at the Company need to understand and follow the procedures set out in these management systems.

The management systems include a requirement for an internal audit to confirm that the systems are working effectively. During 2007 three additional employees expressed interest in becoming internal auditors. They will receive their training, and begin to participate in internal audits, in 2008.

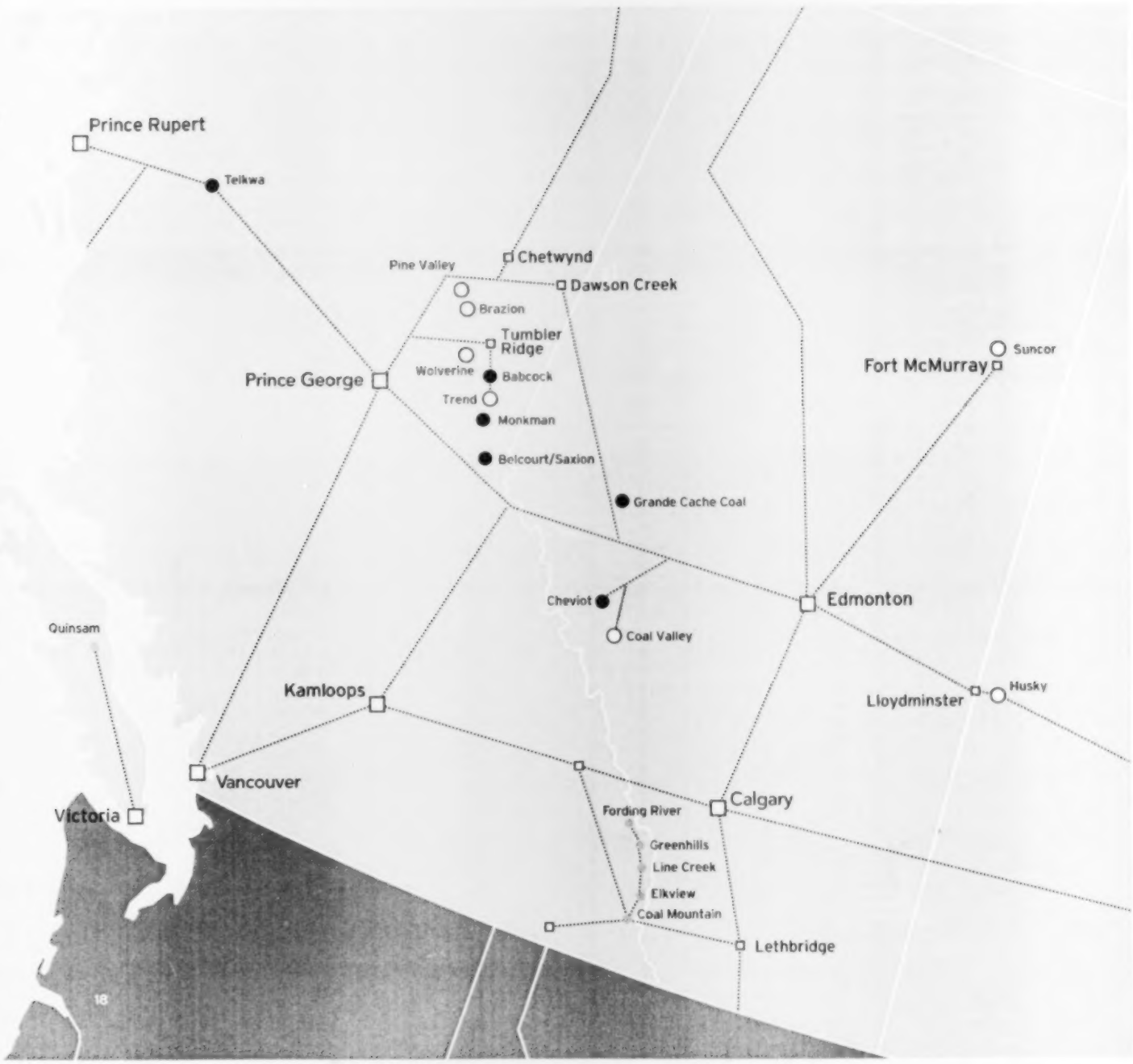
6. Complete hiring and training of expanded workforce

By the end of 2007, virtually all required positions at Ridley Terminals Inc. had been filled. Training of these employees was well underway at the end of the year. For example, of 17 operators hired in 2006 and 2007, 63% of their training modules had been completed as at the end of 2007. The Company is hopeful that all of these employees will complete their training in the first half of 2008.

During 2008 Ridley Terminals Inc. also plans to expand its formal training program to include specific training requirements for other operating equipment such as mobile equipment.

TERMINAL TRANSPORTATION LINKS

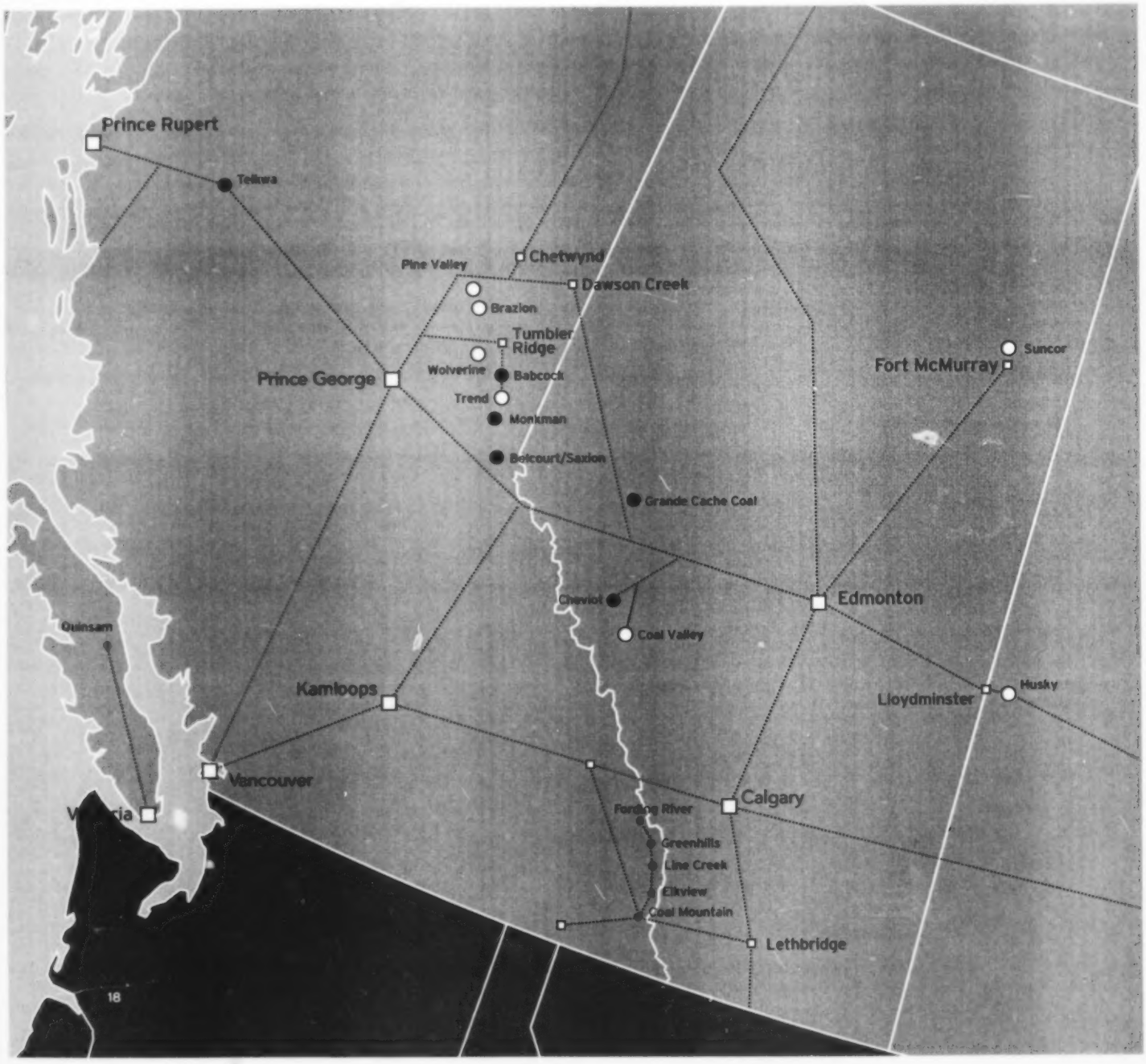
This map identifies the significant export coal mines of British Columbia and Alberta as well as relevant railway lines within these provinces. Coal mines and petroleum coke producers who currently ship through Ridley Terminals and the proposed coal mines which the Company may service in the future are specifically indicated.



TERMINAL TRANSPORTATION LINKS

This map identifies the significant export coal mines of British Columbia and Alberta as well as relevant railway lines within these provinces. Coal mines and petroleum coke producers who currently ship through Ridley Terminals and the proposed coal mines which the Company may service in the future are specifically indicated.

- ○ Existing Producers to Ridley
- ● Proposed Producers to Ridley
- • Coal Mines using Vancouver Rail Line
- □ Cities along routes
- ▫ Towns along routes



SPECIFIC MARKETING PLANS ARE UNDERWAY BETWEEN CN RAIL AND RIDLEY TERMINALS INC. TO TARGET POTENTIAL PETROLEUM COKE AND ASPHALTENE VOLUMES FROM NEW OIL UPGRADING FACILITIES TO SHIP THROUGH PRINCE RUPERT.

GLOSSARY OF TERMS

Demurrage: The freighter of a ship is bound not to detain it, beyond the stipulated or usual time, to load or deliver the cargo, or to sail. The extra days beyond the lay days (being the days allowed to load and unload the cargo) are called the days of demurrage. The term is likewise applied to the payment for such delay.

Despatch: An incentive payment paid for loading a cargo faster than the stipulated or usual time. The term is likewise applied to the payment for such fast loading.

ISO: The International Organization for Standardization: a global federation of over a hundred national standards bodies with central secretariat in Geneva, Switzerland. An ISO standard is an international standard published by the ISO. For example: ISO 9000 is a widely accepted standard which specifies requirements for a Quality Management System. The ISO 14000 environmental management standards exist to ensure products and services have the lowest possible environmental impact.

Metallurgical Coal: Bituminous coal from which the volatile constituents are driven off by baking in an oven at temperatures as high as 2,000 degrees Fahrenheit so that the fixed carbon and residual ash are fused together forming coke, which along with pulverized coal is consumed in making steel.

OHSAS 18001:1999: An occupational health and safety management systems specification.

Petroleum (pet) Coke: Petroleum coke is a carbonaceous solid derived from oil refinery cracking processes. Crude oil must be refined to produce gasoline and other products. A residue is left over from this process that can be further refined by "coking" it at high temperatures and under great pressure. The resulting product is pet coke, a hard substance that is similar to thermal coal.

Pulverised Coal Injection (PCI) Coal: PCI coal is a grade of bituminous coal crushed into a fine powder and injected into blast furnaces as a replacement for coke in the production of pig iron.

QMI: a division of CSA Group, established in 1984, is a leading North American Management Systems registrar.

Quadrant Slewing Ship Loader: A large machine designed to load vessels. Incorporating a conveyor belt, the ship loader can move in three axes. Slewing: travelling or slewing (radially) parallel to the ship's axis, is accomplished using a quadrant beam and rail along which powered wheel assemblies move the ship loader between vessel hatches; Luffing or vertical movement is achieved using a winch and cable assembly; and Shuttling, or movement perpendicular to the ship's axis, is performed by wheels moving along a rail attached to the ship loader's main support beam.

Rail Car Indexer: A machine used to stage cars into the rotary car dumper. The indexer has an arm, with a head attachment, that fits over the couplings of railcars and using electro/mechanical power on a rail, moves an entire unit train of cars, 1 or 2 at a time into the rotary car dumper for unloading.

Rotary Car Dumper: A mechanism used for unloading certain rail cars such as hopper cars or gondolas. It holds the car to a section of track and rotates the track and car together to dump out the contents. An entire unit train of coal may be dumped without uncoupling any of the cars. The cars used for these trains are equipped with rotary tightlock couplers on one end. The end with the rotary coupler is marked with a colored stripe, typically white, red or yellow. The dumper rotates the cars on the axis of the couplers.

Stacker-Reclaimer: A large machine that has the capability of both stacking bulk materials into storage piles and recovering (reclaiming) the material, using a bucket wheel, from the storage piles. Stacker-Reclaimers are rated in tonnes per hour (tph) for capacity and travel on a rail between stockpiles in the stockyard. It can typically move in three directions - horizontally along the rail - vertically by "luffing" it's boom and rotationally by slewing it's boom.

Sulphur Pellets / Prills: Elemental Sulphur that has been solidified by any one of a number of processes to form spherically shaped prills or non-spherically shaped pellets or granules.

Thawshed: A building containing infrared natural gas heaters and reflectors, which heats cars in cold weather to minimize the amount of coal remaining in rail cars after unloading.

Thermal Coal: Coal used for steam/power generation or for space heating purposes, including all anthracite coals and bituminous coals not included under coking coal.

Wood Pellets: A pelletized product comprised of compressed wood fibre, without additives or binders.

GLOSSARY OF TERMS

Demurrage: The freighter of a ship is bound not to detain it, beyond the stipulated or usual time, to load or deliver the cargo, or to sail. The extra days beyond the lay days (being the days allowed to load and unload the cargo) are called the days of demurrage. The term is likewise applied to the payment for such delay.

Despatch: An incentive payment paid for loading a cargo faster than the stipulated or usual time. The term is likewise applied to the payment for such fast loading.

ISO: The International Organization for Standardization; a global federation of over a hundred national standards bodies with central secretariat in Geneva, Switzerland. An ISO standard is an international standard published by the ISO. For example: ISO 9000 is a widely accepted standard which specifies requirements for a Quality Management System. The ISO 14000 environmental management standards exist to ensure products and services have the lowest possible environmental impact.

Metallurgical Coal: Bituminous coal from which the volatile constituents are driven off by baking in an oven at temperatures as high as 2,000 degrees Fahrenheit so that the fixed carbon and residual ash are fused together forming coke, which along with pulverized coal is consumed in making steel.

OHSAS 18001:1999: An occupational health and safety management systems specification.

Petroleum (pet) Coke: Petroleum coke is a carbonaceous solid derived from oil refinery cracking processes. Crude oil must be refined to produce gasoline and other products. A residue is left over from this process that can be further refined by "coking" it at high temperatures and under great pressure. The resulting product is pet coke, a hard substance that is similar to thermal coal.

Pulverised Coal Injection (PCI) Coal: PCI coal is a grade of bituminous coal crushed into a fine powder and injected into blast furnaces as a replacement for coke in the production of pig iron.

QMI: a division of CSA Group, established in 1984, is a leading North American Management Systems registrar.

Quadrant Slewing Ship Loader: A large machine designed to load vessels. Incorporating a conveyor belt, the ship loader can move in three axes. Slewing; travelling or slewing (radially) parallel to the ship's axis, is accomplished using a quadrant beam and rail along which powered wheel assemblies move the ship loader between vessel hatches; Luffing or vertical movement is achieved using a winch and cable assembly; and Shuttling, or movement perpendicular to the ship's axis, is performed by wheels moving along a rail attached to the ship loader's main support beam.

Rail Car Indexer: A machine used to stage cars into the rotary car dumper. The indexer has an arm, with a head attachment, that fits over the couplings of railcars and using electro/mechanical power on a rail, moves an entire unit train of cars, 1 or 2 at a time into the rotary car dumper for unloading.

Rotary Car Dumper: A mechanism used for unloading certain rail cars such as hopper cars or gondolas. It holds the car to a section of track and rotates the track and car together to dump out the contents. An entire unit train of coal may be dumped without uncoupling any of the cars. The cars used for these trains are equipped with rotary tightlock couplers on one end. The end with the rotary coupler is marked with a colored stripe, typically white, red or yellow. The dumper rotates the cars on the axis of the couplers.

Stacker-Reclaimer: A large machine that has the capability of both stacking bulk materials into storage piles and recovering (reclaiming) the material, using a bucket wheel, from the storage piles. Stacker-Reclaimers are rated in tonnes per hour (tph) for capacity and travel on a rail between stockpiles in the stockyard. It can typically move in three directions - horizontally along the rail - vertically by "luffing" it's boom and rotationally by slewing it's boom.

Sulphur Pellets / Prills: Elemental Sulphur that has been solidified by any one of a number of processes to form spherically shaped prills or non-spherically shaped pellets or granules.

Thawshed: A building containing infrared natural gas heaters and reflectors, which heats cars in cold weather to minimize the amount of coal remaining in rail cars after unloading.

Thermal Coal: Coal used for steam/power generation or for space heating purposes, including all anthracite coals and bituminous coals not included under coking coal.

Wood Pellets: A pelletized product comprised of compressed wood fibre, without additives or binders.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONS

Revenues

Type of Revenue	2007 ($000's)	2006 ($000's)
Throughput	21,405	11,830
Despatch	886	464
Lines & Berthage	752	509
Other	28	79
Total Terminal Revenue	23,071	12,882
Investment Income	76	44
Total Revenue	23,147	12,926

The revenue of the Company is primarily dependent on the volume of coal and petroleum coke handled by the terminal (commonly referred to as its throughput) and the rate paid per tonne handled. Throughput revenue accounted for 93% of total terminal revenue in 2007.

Included in terminal revenue for the first time is the handling of wood pellets from Houston Pellet Inc. The first railcar shipment was received in May of this year, with expectation for continued growth over the coming years.

Throughput Volumes

The volume handled comes from a small number of customers, and as a result revenues can fluctuate significantly from year to year if a customer is lost or a new customer is gained. The volumes of coal, petroleum coke and wood pellets handled in 2007 can be broken down as follows:

	2007	2006
'000 Tonnes Received	5,089	2,631
'000 Tonnes Shipped	5,123	2,836

The volumes received (i.e. unloaded from trains) and the volumes shipped (i.e. loaded onto ships) almost doubled in 2007, compared to 2006. The increase in volumes was due to additional volume from existing customers.

Western Canadian Coal Corp.'s ("WCC") Brule mine opened in early 2007, replacing their Dillon mine. Brule is a larger mine than its predecessor and also produces PCI coal. PCI coal received in 2007 doubled in volume from the previous year and volume is expected to increase again in 2008.

In the third quarter of 2006 WCC opened the Wolverine mine, producing a metallurgical grade of coal. The Wolverine mine accounted for the largest volume of product handled by Ridley Terminals Inc. in 2007. Additional volume is expected for 2008.

Peace River Coal consists of both metallurgical coal and thermal coal; the volume received in 2007 tripled compared to 2006. Volume is expected to increase again in 2008. The Company is currently negotiating a long term service agreement with Peace River Coal.

The volumes handled in 2007 included increased shipments of thermal coal from the Coal Valley mine in Alberta. The Company is currently negotiating a long-term contract with the Coal Valley mine, and hopes to maintain or increase the volume handled from this mine in 2008.

Petroleum Coke was received from the Husky heavy oil upgrader in Lloydminster, Saskatchewan and from the Suncor oil sands operations in Fort McMurray, Alberta. Ridley Terminals Inc. signed a new long term terminal service agreement with Petro-Canada and will receive the first shipment of petroleum coke from Petro-Canada in the latter part of 2008.

The total volume of petroleum coke shipped in 2007 dropped slightly, mainly due to the loss of the Oxbow product. Oxbow volume only accounted for 44,000 tonnes of shipments in 2006. Shipments of petroleum coke fluctuate depending on market conditions for the sale of petroleum coke in overseas markets.

Throughput Rates

In 2007, total terminal revenue divided by total tonnes shipped resulted in an average of $4.50 per tonne shipped. This was lower than the result in 2006 of $4.54 per tonne, however it exceeded the 2007 budgeted amount of $4.43 per tonne.

The confidential throughput rates paid per tonne are negotiated individually with each customer. The rates negotiated can be impacted by the value of the product being shipped; by the number of times the product is turned over during the year; by the need for new mines in their start-up period to receive lower rates; and by other factors. In some cases volume discounts may be provided as an incentive for bringing product to Ridley Terminals Inc. A customer whose product has a slow turnover generally results in less revenue to the Company for the storage yard space reserved for that product, and can therefore justify higher rates.

Despatch

Ridley Terminals Inc. earns despatch revenue when the time taken to load a ship is less than the laytime allowed. If the time taken to load exceeds the laytime allowed, the Company must instead pay demurrage to the vessel. This demurrage is netted against the despatch revenue. The Company earns despatch on most vessels loaded.

In 2007 the Company earned $887,000 in net despatch revenue on 77 ships loaded. This compares with $464,000 in net despatch revenue on 58 ships loaded in 2006. Not only did the Company handle 33% more vessels in 2007, but loading times were reduced after May 5th when Ridley Terminals Inc. began operating 24 hours per day, 7 days per week. Ship loading could then be done on a continuous basis, reducing the time taken to load each ship.

Ridley Terminals Inc. expects to earn greater despatch revenue in 2008 as a greater number of ships will be loaded.

Lines & Berthage

Each ship that is loaded at the Company's berth pays lines and berthage fees. Lines revenue is a flat fee per ship, while berthage revenue is dependent on the size of the vessel and the length of time the vessel is at the berth. Ridley Terminals Inc. received significantly more lines and berthage revenue in 2007 because of the greater number of ships loaded.

Other Revenue

Other revenue during the year amounted to $29,000, a decrease from the other revenue of $80,000 in 2006. This category includes revenue for providing extra services or recouping certain expenses from the Company's customers. For example, in 2007 the Company recouped additional handling costs related to locomotive operations for the wood pellet terminal. Other revenue is not expected to change significantly in 2008.

Investment Income

The Company earned investment income of $76,000 in 2007, an increase from the investment income of $44,000 in 2006. The increase was a result of the Company holding a higher average cash balance in 2007 as compared with 2006. Ridley Terminals Inc. expects to earn a greater amount of investment income in 2008 as revenues increase, resulting in a higher average cash balance.

EXPENSES

Salary, wages & benefits are the Company's largest operating expense, accounting for 57.6 % of operating expenses in 2007 and 61.1% of operating expenses in 2006. The major components of salary, wages & benefits are as follows:

Salary, Wages & Benefits	2007	2006
	($000's)	($000's)
Base salary & wages	5,898	4,323
Exceptional pay	2,795	1,561
Pension benefits	257	679
Medical benefits	650	460
Statutory benefits	24	234
Productivity Bonus	444	232
Other	673	180
Total Salary, Wages & Benefits	10,741	7,669

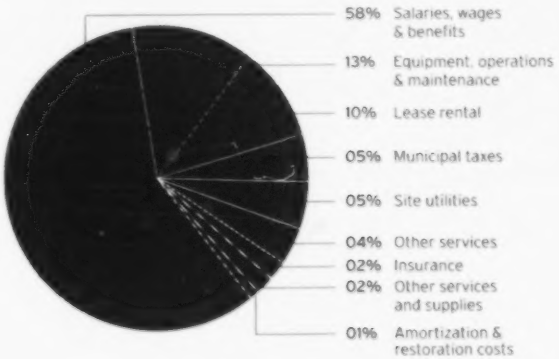
The Company's current collective agreement expired at midnight on June 30, 2007. While the following discussion will provide an indication of how the Company's costs are expected to change in 2008, it is not possible to forecast the changes that will be incorporated in the new collective agreement.

Base salary and wages

The significant increase in the number of employees during 2007 had the largest impact on the amounts paid for salary, wages & benefits. Ridley Terminals Inc. had 61 employees at the beginning of the year, and 82 employees by the end of the year. The Company expects no significant changes in manning levels for 2008.

The Company's collective agreement provides for increases to wages twice each year, based on the increase in the consumer price index ("CPI") for Vancouver. All non-union

2007 Operating Expenses



employees receive increases based on the same formula. During 2007 salaries and wages increased by 1.75% as a result of the CPI increase.

Exceptional pay

In addition to base salary and wages, the collective agreement provides for overtime pay and for a number of other premiums and differentials. Most of the Company's non-union employees are also eligible for this additional pay. The CPI increase to base salary and wages was a factor in the increases to exceptional pay in 2007.

Most overtime is paid at 2 times the base hourly rate. During 2007 69% of the exceptional pay was for unscheduled overtime. As of May 6th 2007 operations were based on 24 hours per day, 7 days per week, eliminating some of the overtime required for continuous loading and unloading of ships and railcars. However, overtime was required to deal with training issues for new employees and additional handling time for aluminum railcars. Overtime was also required for major maintenance projects. Ridley Terminals Inc. expects an overall reduction in unscheduled overtime in 2008, due to a decrease in training requirements and a decrease in handling times for aluminum railcars.

Scheduled overtime or "Tour Completion" is based on working an additional amount of time over the base of 2,080 hours in a 52 week pay period. With the new work schedule, 12 hour shifts for 4 straight days and then 4 days off, employees are scheduled to work an additional 16 hours every 8 weeks. These additional hours are paid out as overtime in addition to the employee's base wage. 2008 will see an increase in tour completion costs, as the Company will be operating on the new schedule for a full calendar year.

Employees are allowed to bank a portion of the overtime and take those hours off at a later time. They are also able to bank a portion of the additional pay the Company is required to pay for work on statutory holidays. The Company's exceptional pay expense is reduced by the value of the banked time taken off.

The employees also receive a number of premiums and differentials. Employees are paid a premium of 50% of their base pay for regular hours worked on Sunday. On average, an employee will work every second Sunday, since operations are based on 24 hours per day, 7 days per week.

Shift differentials of $1.40 per hour are paid to employees working 12 hour shifts. First aid differentials are paid to employees with qualifying first aid certificates.

Pension benefits

Pension benefit expense is calculated in accordance with generally accepted accounting principles. These requirements are set out in Section 3461 of the Handbook of the Canadian Institute of Chartered Accountants. The Company relies on the work of its actuary, Mercer, to calculate the required pension benefit expense in accordance with these requirements.

In 2007 the pension expense decreased to $257,000 from the expense of $679,000 in 2006. The decrease arose primarily from two factors. The plan liabilities, on a solvency basis, decreased significantly at the end of 2006 because long-term interest rates had increased. At the same time, the return on the assets held in the pension plan was greater than expected.

2008 will see a considerable increase in the Company's pension expense, which can be attributed to three factors. First, there has been a significant increase in membership during the last two years. Second, there was a greater than expected increase in pensionable earnings during 2007. Pensionable earnings includes the straight time portion of overtime which, as noted above, increased during the year. Thirdly, due to investment losses on the asset funds in 2007. As a result of these changes and other factors, the actuary has advised the Company that the pension benefit expense in 2008, calculated in accordance with generally accepted accounting principles, will increase to $1,044,000.

Medical benefits

In order to attract and retain employees, Ridley Terminals Inc. has a comprehensive medical benefit program. This program includes life insurance, long-term disability insurance ("LTD"), extended health benefits and dental benefits. The life and LTD benefits are affected by increases to each employee's salary or wage rate. They are also impacted by the average age of the workforce, and to a lesser extent by the Company's claim experience. Ridley Terminals Inc. has had an increasing average age of employees for a number of years, and this has been one factor that has seen the cost of life and LTD insurance increase.

Extended health and dental benefit rates are primarily affected by the Company's claims experience. This experience has seen increasing claims per employee in most years. As a result, the costs for these benefits have seen significant increases.

Based on the analysis of group insurance plans, the Company decided to change plan providers effective January 1st 2008. This change will reduce benefit costs per employee, with no effect on the level of services provided.

Statutory Benefits

Statutory benefits consist of the Company portion of Canada pension plan ("CPP") and employment insurance ("EI") premiums, together with premiums paid to the Workers Compensation Board of BC ("WCB"). CPP and EI premiums are based on rates set by the Government of Canada. The maximum CPP contribution increased by 4.1%, while the maximum EI contribution decreased by 1.3% for 2007. 2008, will see a further increase in CPP by 3.0% and an EI reduction of 1.2%.

WCB rates are set on an industry-wide basis. For the last few years these rates have been decreasing. The Company's own safety record also impacts the WCB rate. Ridley Terminals Inc.'s excellent safety record has resulted in the Company receiving discounts to the average industry rate. As a result, the Company's WCB rate decreased in 2007 and again for 2008. 2007 also saw the Company receive a significant WCP surplus rebate of $287,540. The surplus rebate is based on consummate employer claim performance between the periods of 2002 to 2006, and resulted in the very low overall statutory benefit cost to the Company in 2007.

Productivity Bonus

Ridley Terminals Inc. pays a productivity bonus to all employees. This bonus is the accumulation of one-half of the net despatch revenue earned by the Company. This bonus has proved successful in encouraging all employees to focus on loading ships promptly and efficiently.

Other

There are a number of other costs included in the salary, wages & benefits category. These include costs for recruitment and relocation of new employees; training costs for employees, the management performance incentive program, and tool and fitness allowances. The increase in these costs in 2007 was primarily due to additional recruitment, relocation and training costs, as well as the payout of the management performance incentive program.

Equipment Operations and Maintenance

Equipment operations and maintenance costs increased to $2.36 million in 2007 from $0.95 million in 2006. The largest component of 2007 equipment maintenance costs can be contributed to contract painting. No facility painting was incurred in 2006. 2007 was a catch up year for 2006, and as a result 2008 contract painting cost will decrease. Major repair costs were significantly higher in 2007, due to repairs on four conveyor belts. 2007 also included increased costs related to railroad and road maintenance.

Lease Rental

Lease rental costs are paid to the Company's landlord, the Prince Rupert Port Authority, primarily as a rate per tonne shipped. Consistent with the significant increase in the volumes shipped in 2007, this expense increased to $1.98 million, compared with $1.09 million in 2006. Lease rental costs are expected to increase again in 2008 as the volumes shipped continue to grow.

Site Utilities

The Company's largest utilities cost is for electricity, followed by the cost of natural gas. Site utilities increased from $0.77 million in 2006 to $0.94 million in 2007. The increased volume handled in 2007 was the primary reason for the increase in utility costs. 2008 will see further increases as the volume handled increases.

Other Services

Other services is largely made up of fees paid for outside services such as contract equipment inspection, engineering and other consulting services, and legal services. 2007 included additional charges for computer systems consulting, engineering fees related to the 307 spill tray replacement, legal fees for work on tenders and requests for proposals, as well as collective bargaining services.

Insurance

Ridley Terminals Inc. maintains comprehensive property and risk insurance coverage. The Company relies on the advice of its insurance broker, Aon Reed Stenhouse, in the design of this coverage and selection of insurance companies to provide the required policies. Insurance costs increased slightly, to $0.42 million in 2007 from $0.41 million in 2006.

Office Services and Supplies

Office services and supplies increased from $0.29 million in 2006 to $0.42 million in 2007. This cost increase was due to increased janitorial costs (related to the return to operating 24 hours per day) and building maintenance expenditures for refurbishing the meeting room. The Company expects a further increase in janitorial costs in 2008, as the terminal will operate 24 hours per day, 7 days per week for a full fiscal year.

Amortization and Restoration Costs

Amortization and restoration costs increased from $0.23 million in 2006 to $0.24 million in 2007. This increase was due to the completion of the wood pellet terminal and its commencement of operations during 2007.

CASH RESOURCES AND LIQUIDITY

In 2007 the Company's cash balance increased from $0.33 million to $3.75 million. Cash receipts from customers increased by 204% in 2007, while operating cash outflows had a significantly lower increase of 138%. Ridley Terminals Inc. also received $0.67 million in cash in 2007 from Transport Canada, stemming from the 2006 contribution agreement.

In 2005 Ridley Terminals Inc. received an excess contribution of $0.96 million from Transport Inc. This amount must be repaid to the Crown and is shown as a liability on the balance sheet. The Company intends to repay this amount in 2008.

The Company also plans to use the cash generated from operations to make capital upgrades to equipment and systems over the next few years.

PENSION

The Company maintains two pension plans for its employees. The Ridley Terminals Inc. Employee Pension Plan provides benefits for all of the Company's team members, while the Supplemental Pension Plan for Managers of Ridley Terminals Inc. provides a "top-up" for team members whose pensions would be limited by the cap imposed by the Canada Revenue Agency on the maximum pension payable from the base pension plan.

Pension Plan funding for 2007 was $1.70 million, compared with $1.39 million in 2006. The actuarial valuation of this pension plan as at January 1, 2007 determined that the plan had a going concern deficit of $149,000. As a result of this deficit, Ridley Terminals Inc. is required to make additional contributions of $6,000 per year until December 31, 2019, plus additional contributions of $10,000 per year until December 31, 2020.

The actuarial valuation also determined that the plan had a solvency ratio of 93.1% at December 31, 2006, an improvement from 82.7% in 2005. Ridley Terminals Inc. has elected to apply the Solvency Funding Relief Regulations released on November 7, 2006. As a result, the previous solvency special payments were consolidated and the entire solvency deficit funded at $341,000 per year, over 5 years with the first quarterly payment commencing in 2007.

The current service cost of the plan is determined as a percentage of members' pensionable earnings. This contribution rate has increased for a number of years, from 11.0% in 2003 to 15.6% in 2007.

The funding requirements for the pension plan in 2008 will be determined when the actuarial valuation of the pension plan as at January 1, 2008 is completed. The Company is required to continue annual actuarial valuations while the solvency ratio remains less than 100%.

The Company's contribution to the Supplemental Pension Plan for Managers of Ridley Terminals Inc. was $61,500 in 2007. The 2006 contribution was $126,000. This was double the normal contribution rate, as no contribution was made in 2005.

PROPERTY, PLANT AND EQUIPMENT

For a number of years, and particularly while the Company's cash flow was not sufficient to cover its operating costs, the purchase of property, plant & equipment has necessarily been kept to a minimum. The largest increase to property, plant and equipment has been the amounts capitalized towards the Company's terminal assets that were intended to be used for shipping sulphur. These costs included the amount of a lien settlement, together with other costs such as municipal taxes and lease rental.

The 2008 capital budget for Ridley Terminals Inc. is much larger, as the Company expects to have excess cash flow from operations, and to use that cash flow towards projects that will enhance the operational efficiency and safety of the terminal. Major items included in the 2008 capital budget includes; the modification of the rail car dumper; initiating the stacker-reclaimers control automation project; multiple electrical drive replacements; replacement of aging bulldozers; and the upgrade and replacement of microcomputer, software and communications equipment.

LEGAL CLAIMS

A writ has been filed, but not served on the company, making claims against the Company's shareholder and the company with respect to the potential sale of the Company. This sale was cancelled in 2006. Ridley Terminals Inc. is not able to determine what the implications of this claim may be.

There are no other claims outstanding against Ridley Terminals Inc. that are expected to have a material impact on the Company's financial position, results of operations or liquidity.

ACCOUNTING PRINCIPLES

The Company's financial statements have been prepared in Canadian dollars, and in accordance with Canadian generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These principles have been applied on a basis consistent with that of the previous year.

OUTLOOK

The Company recorded profits in both 2007 and 2006. The last time the Company saw consecutive profits was back in 1999 and 1998. In order to maintain profitable operations and improve the Company's results, additional new volumes of product are required.

The best opportunity for additional volume is expected to come from the Company's traditional coal handling business. Sales prices for coal are expected to increase in 2008 as new contracts are negotiated, reflecting the higher demand for coal and the parity of the Canadian Dollar to the US Dollar. Some mines have expanded their production and a number of new mines have opened. Considerable activity towards developing new coal mines in Canada, and particularly in the Company's traditional Northeast BC market, is ongoing. As noted above in the discussion of throughput volumes, Ridley Terminals Inc. is optimistic that coal volumes will continue to increase in 2008.

Petroleum Coke is expected to increase over the coming years as new production facilities come on line. Ridley Terminals Inc. is working with CN Rail to aggressively pursue new service agreements for petroleum coke.

Diversification remains a key objective for the Company. Being dependent almost exclusively on coal has demonstrated the difficulty of operating the terminal when that one commodity runs into difficulty. Diversification is therefore essential to help reduce the likelihood of financial difficulties in the future.

2008 will be the first full calendar year of operations for the wood pellet terminal, after construction was completed in the second quarter of 2007. While the initial volumes to be handled through this terminal will be small, the Company hopes that they will grow into more substantial volumes in future years.

OPERATIONAL RISKS

The Company's source of revenue is from the handling of bulk products. The loss of a customer, or the inability to enter into new contracts, would have a significant impact on the Company's revenue, level of operations, and bottom line.

Ridley Terminals Inc. is reliant on a single railroad to provide transportation services for the business. Extended interruptions to the rail line would lead to substantial economic losses. The Company's goal is to maintain an excellent working relationship with the railroad provider and to treat them as a business partner.

Ridley Terminals Inc. operates a highly automated terminal utilizing large mechanical equipment. The failure of any of this equipment would impact the Company's earnings and cash flows. Insurance coverage is in place to reduce the Company's risk from equipment failure.

There are no significant environmental or health & safety risks facing the company. Procedures are in place to address minor environmental risks such as spills of lubricating oil or fuel. The Company investigates what additional procedures or precautions are required for the safe and environmentally sound handling of any new products, including the wood pellet and sulphur terminal developments. Ridley Terminals Inc. has registered management systems for Quality, Environment and Health & Safety. These management systems help the Company to identify and reduce its risks. The Company completed its first Enterprise Risk Assessment review in 2007, which identified and addressed areas of concern to the business, as well as providing mitigating factors to alleviate potential losses.

CORPORATE GOVERNANCE

Ridley Terminals Inc. was incorporated under the Canada Business Corporations Act on December 18, 1981, and on July 31, 1991 became a wholly-owned subsidiary Crown Corporation. On November 1, 2000 the Canada Marine Act came into force and the Company became a parent Crown Corporation named in Part I of Schedule III of the Financial Administration Act.

The Minister of Transport, Infrastructure & Communities, with the approval of the Governor in Council, appoints the Directors of the Company, including the Chairman and the Chief Executive Officer. The Board of Directors is responsible to the Crown for the stewardship of the Company. To carry out this responsibility the Board reviews and approves the strategic direction for the Company, as set out in the Corporate Plan. The Board also monitors actual performance against the plan at its regular meetings with management.

In December 2007, Mr. Daniel Veniez was appointed the Chairman of Ridley Terminals Inc. This appointment brought into effect an amendment to the Company's Administrative By-Law. This amendment, consistent with good governance practice, separated the positions of Chairman and Chief Executive Officer.

The Board considers, as it makes its decisions, the impact of those decisions on all of the stakeholders of the Company. Those stakeholders include the shareholder, the employees of the Company, the local community, customers, and the regional economy along the Northwest Corridor. In the end, the Board must exercise its responsibility to make its decisions in the best interest of the Company.

The Board exercises its responsibilities for financial reporting and internal controls through an Audit Committee consisting of three non-executive members. The Audit Committee meets regularly with management and with the internal and external auditors to review the scope and result of the annual audits, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board of Directors for approval.

The Office of the Auditor General of Canada completed a Special Examination of the Company during 2005. Their report included a number of recommendations to improve the Company's corporate governance. Many of these recommendations have now been implemented, and with the appointment of a Chair the remaining recommendations should be addressed in 2008.

The Board is also responsible for assessing the effectiveness of the Chairman, the President & COO, and the Board as a whole. The Board has reviewed the Guidelines for Corporate Governance in Crown Corporations and Other Public Enterprises published by the Department of Finance and the Treasury Board Secretariat in 2002. The Board reviews these guidelines regularly in order to identify and address specific areas of governance.

The Board is also closely following the Government of Canada's progress in implementing the measures in the 2005 report from Treasury Board entitled "Review of the Governance Framework for Canada's Crown Corporations - Meeting the Expectations of Canadians". The separation of the positions of Chairman and CEO, as noted above, was implemented in response to this report.

In December 2007 Rhoda Witherly's time as a director came to an end. On February 5, 2008 the Minister announced that Doug Knowles, a respected lawyer, will join the Board for two years starting April 13, 2008, at the conclusion of Susanne Stushnoff's term. The Chair and the Board thank Rhoda Witherly and Susanne Stushnoff for their contributions to Ridley Terminals Inc. during their time on the Board.

The current Board of Directors, and their terms, are as follows:

Susanne Stushnoff, Solicitor
Term: 3 years / End of Term: April 12, 2008

Wayne H. Stoilen, Chartered Accountant (retired)
Term: 3 years / End of Term: April 12, 2008

Penelope Denton, Registered Nurse (retired)
Term: 3 years / End of Term: May 9, 2008

David Parker, Registered Professional Forester (Retired)
Term: 3 years / End of Term: October 11, 2010

Byng Giraud, VP, Mining Association of BC
Term: 4 years / End of Term: December 13, 2011

Daniel Veniez, Businessman
Term: 5 years / End of Term: December 6, 2012

MANAGEMENT RESPONSIBILITY

The accompanying financial statements of Ridley Terminals Inc., and all information in the annual report pertaining to the Company, are the responsibility of management, and have been approved by the Board of Directors.

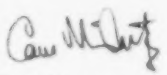
These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise, because they include some amounts that are based on estimates and judgements. Management has determined such amounts on a reasonable basis. Financial information used in the annual report is consistent with that in the financial statements.

Management maintains a system of internal accounting and administrative controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through an Audit Committee consisting of three non-management members. The Audit Committee meets regularly with management and with the external and internal auditors to review the scope and result of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board of Directors for approval.

These financial statements have been independently audited in accordance with Canadian generally accepted auditing standards by the Company's external auditor, the Auditor General of Canada, and her report is included with these financial statements.

G. Slocombe
President and Chief Operating Officer



C. McIntyre
Chief Financial Officer

March 5, 2008

AUDITOR'S REPORT

To the Minister of Transport, Infrastructure and Communities

I have audited the balance sheet of Ridley Terminals Inc. as at December 31, 2007 and the statements of operations, comprehensive income and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31,2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Company that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Business Corporations Act, the Canada Marine Act and regulations, and the articles and by-laws of the Company.

Andrew Lennox, CGA, CMA
Assistant Auditor General for the Auditor General of Canada

Vancouver, Canada
February 8, 2008, except as to Note 16, which is as of March 5, 2008

BALANCE SHEET

December 31
(in thousands)

	2007	2006
	$	$
ASSETS		
Current assets		
Cash	3,750	330
Accounts receivable (Note 3)	3,658	2,479
Government contribution receivable (Note 12)	-	670
Inventory	3,133	3,285
Prepaid expenses	148	115
	10,689	6,879
Property, plant and equipment (Note 4)	12,618	12,361
Accrued pension benefit asset (Note 5)	2,944	1,436
Other long-term assets (Note 6)	618	745
	26,869	21,421
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,513	1,298
Accrued lease obligation (Note 13)	26	-
Government contribution repayable	960	960
	3,349	2,258
Long-term liabilities		
Asset retirement obligation (Note 7)	2,182	2,118
Deferred government contributions towards capital assets (Notes 8, 12)	3,045	3,084
Accrued lease obligation (Note 13)	-	87
	5,227	5,289
	8,726	7,547
SHAREHOLDER'S EQUITY		
Capital stock (Note 9)	136,042	136,042
Contributed surplus (Note 9)	64,000	64,000
Accumulated deficit	(181,899)	(186,168)
	18,143	13,874
	26,869	21,421

Commitments and Contingencies (Notes 13, 14)

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Chair Director

STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME AND ACCUMULATED DEFICIT

Year Ended December 31
(in thousands)

	2007	2006
	$	$
Revenues		
Terminal revenue	23,070	12,882
Investment income	76	44
	23,146	12,926
Expenses		
Salaries, wages and benefits	10,741	7,669
Equipment operations and maintenance	2,355	954
Lease rental (Note 13)	1,977	1,093
Municipal taxes	961	915
Site utilities	940	767
Other services	813	457
Insurance	424	408
Office services and supplies	423	292
Amortization and restoration costs	243	229
	18,877	12,784
Income before government assistance	4,269	142
Government assistance (Note 12)	-	1,522
Net income and comprehensive income	4,269	1,664
Accumulated deficit, beginning of year	(186,168)	(187,832)
Accumulated deficit, end of year	(181,899)	(186,168)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year Ended December 31
(in thousands)

	2007	2006
	$	$
OPERATING ACTIVITIES		
Cash receipts from customers	21,902	10,730
Interest received	66	45
Cash paid to employees	(9,778)	(6,736)
Pension funding (Note 5)	(1,764)	(1,523)
Cash paid to suppliers	(5,417)	(4,406)
Cash paid for lease rental (Note 13)	(1,843)	(996)
Government contribution received (Note 12)	670	2,382
Cash flows from (used in) operating activities	3,836	(504)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(416)	(514)
Proceeds of disposition of property, plant and equipment	-	5
Cash flows from investing activities	(416)	(509)
FINANCING ACTIVITIES		
Deferred government contribution received	-	275
Cash flows used in financing activities	-	275
Net increase (decrease) in cash	3,420	(738)
Cash, beginning of the year	330	1,068
Cash, end of the period	3,750	330

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007
(amounts in tables are in thousands)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under the Canada Business Corporations Act on December 18, 1981, operates a bulk commodity facility on Ridley Island in Prince Rupert, British Columbia. On June 11, 1998, the Canada Marine Act received Royal Assent. This Act came into force on November 1, 2000, at which time the Canada Ports Corporation Act was repealed and the Canada Ports Corporation was dissolved. Under the Canada Marine Act, Ridley Terminals Inc. became a parent Crown corporation named in Part I of Schedule III of the Financial Administration Act. The Company is a federal Crown corporation exempt from income tax.

2 - SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The future of the Company is dependent upon the production of two coal suppliers, as disclosed in note 15.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Adoption of new accounting policies

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1350 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments - Recognition and Measurement", and Section 3861 "Financial Instruments - Disclosure and Presentation". As required by the new standards, prior periods have not been restated.

The adoption of these standards has had no material impact on the Company's net earnings or cash flows.

The other effects of the implementation of the new standards are discussed below.

Comprehensive Income

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). Upon adoption of Section 1530, the Corporation renamed its "Statement of Income (Loss) and Accumulated Deficit" to "Statement of Operations, Comprehensive Income and Accumulated Deficit" and revised it to include the newly required statement of comprehensive income by creating a combined statement

The adoption of comprehensive income has been made in accordance with the applicable transitional provisions and no amounts have been reclassified to accumulated other comprehensive income. Currently, the Company has no OCI.

Financial instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables" or "other financial liabilities", as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in OCI. Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. The methods used by the Company in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

The Company's financial assets include accounts receivable and the advance to an officer, which are classified as "Loans and receivables", while its financial liabilities include accounts payable and government contribution repayable and are classified as "Other financial liabilities".

As the basis of accounting of these financial instruments has not changed and they continue to be recorded at amortized cost, the adoption of the financial instruments standards had no material impact on the Company's financial statements.

Inventories

As of January 1, 2008, the Company will be required to adopt the new CICA Section 3031 "Inventories", which will require the Company to account for inventory at the lower of cost and net realizable value. In addition, disclosures are to include the accounting policies used, carrying amounts, amounts recognized as an expense, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expenses. The Company is assessing the impact on its financial statements.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. This mainly affects asset retirement obligation, the useful life of property, plant and equipment and accrued employee pension benefits. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates.

Revenue recognition

Throughput revenue is determined by multiplying the contracted throughput rate by the number of tonnes handled, and constitutes the majority of the Company's terminal revenue. 50% of the throughput revenue is recognized at the time the product is received at the terminal facility. The remaining 50% is recognized after the product is loaded on a vessel.

Inventory valuation

Inventory consists of supplies, consumables and repair parts. Inventory is valued at the lower of average cost and replacement cost.

Amortization

The terminal facility includes all costs incurred during construction (including the associated costs of engineering, administration, interest, insurance and site rental) and capital additions thereafter. The terminal facility also includes the fair value of the liability for an asset retirement obligation. This amount is added to the carrying amount of the asset in the period incurred and will be amortized over the asset's useful life. In 2002, the recorded value of the terminal facility was written down to the minimum residual recoverable value upon their disposition either intact as a going concern or on a salvage basis. With the exception of the sulphur terminal and wood pellet terminal assets, amortization is being recorded on the residual value, less salvage value, using the straight-line basis to 2024. The wood pellet terminal commenced operations in 2007 and is being amortized on a straight-line basis to 2024. No amortization has been recorded on the sulphur terminal to date, since the project is incomplete and not in use.

Other assets are amortized over their useful lives according to the straight-line method and at the following annual rates:

Machinery and equipment	10% and 20%
Office furniture and equipment	20% and 33%

Asset retirement obligation

The fair value of the liability for an asset retirement obligation is recognized in the period incurred, for example, upon acquisition of an asset. This value is subsequently adjusted for any changes resulting from age, changes in regulatory requirements and any changes to the timing or the amount of the original estimate of undiscounted cash flows. The associated retirement costs are capitalized as part of the carrying amount of the capital asset and amortized over the life of the asset. The liability is increased over time through periodic charges to income and it is reduced by actual costs of decommissioning and reclamation. Expenditures relating to ongoing environmental programs are charged against income as incurred.

Employee pension plans

The Company accrues its obligation under employee pension plans net of plan assets. The Company has adopted the following policies:

- The cost of the pension benefits earned by employees, including the indexing of pensions, is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- When the restructuring of a pension plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement;
- The excess of the net actuarial gain (loss) over 10% of the greater of the pension obligation and the fair value of plan assets is amortized over the average remaining service period of active employees; and
- The transitional asset that arose when this policy was first applied is amortized over the average remaining service period of active employees.

Government Assistance

As the Government of Canada is the shareholder of the Company, government assistance received for the repayment of debt is recorded as contributed surplus. Government assistance for the Company's cash operating shortfalls is recorded as income. Government assistance for the Company's capital assets is deferred and amortized to income on the same basis as the related capital asset.

3 - ACCOUNTS RECEIVABLE

	2007	2006
	$	$
Accounts receivable		
Trade	3,491	2,359
Other	167	120
	3,658	2,479

Other accounts receivable consists of net recoverable GST, advances to employees and miscellaneous receivables

4 - PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2007 Net	2006 Net
	$	$	$	$
Terminal facility	239,431	231,067	8,364	8,262
Sulphur terminal	3,883	-	3,883	3,763
Wood pellet terminal	205	11	194	168
Machinery and equipment	2,05	1,932	125	122
Office furniture and equipment	1,556	1,504	52	46
	247,132	234,514	12,618	12,361

5 - ACCRUED PENSION BENEFIT ASSET

Company provides pension benefits to its employees through defined benefit pension plans. These plans provide a pension based on the highest 60 consecutive months' pensionable earnings of the employee, and pensions are indexed at 3% per annum.

	2007	2006
	$	$
Company current service cost	671	702
Interest cost	1,223	1,152
Actual return on plan assets	735	(2,545)
Actuarial loss on accrued benefit obligation	568	(845)
Costs arising in the period	3,197	(1,536)
Differences between costs arising in the period and cost recognized in the period in respect of:		
Return on plan assets	(2,299)	1,228
Actuarial gain	(456)	1,170
Transitional asset	(184)	(183)
Net periodic pension cost recognized	258	679

Information about the Company's defined benefit pension plans as at the measurement date of December 31, 2007 in aggregate is as follows:

	2007	2006
	$	$
Accrued benefit obligation at beginning of year	23,163	22,829
Company current service cost	671	702
Interest cost	1,223	1,152
Employee contributions	244	153
Benefits paid	(516)	(829)
Actuarial loss (gain)	568	(845)
Accrued benefit obligation at end of year	25,353	23,162
Fair value of plan assets at beginning of year	22,052	18,660
Actual return on plan assets	(735)	2,545
Company contributions	1,764	1,522
Employee contributions	244	153
Benefits paid	(516)	(829)
Fair value of plan assets at end of year	22,809	22,051
Funded status - deficit at end of year	(2,543)	(1,111)
Unamortized transitional asset	(718)	(902)
Unamortized net actuarial loss	6,205	3,449
Accrued pension benefit asset	2,944	1,436

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	%	%
Discount rate at beginning of year, used to determine the net periodic pension cost	5.25	5.00
Discount rate at end of year, used to determine year-end disclosures	5.53	5.25
Expected long-term rate of return on plan assets	7.00	7.00
Rate of compensation increase	3.00	3.00
Indexation of pension	3.00	3.00

The plan assets are invested in a balanced pooled fund managed by two independent investment managers.

The average remaining service period of the active employees covered by pension plans is 10 years (2006 - 11 years).

The most recent actuarial valuation for funding purposes was as at December 31, 2006. This valuation identified a going concern deficit of $149,000. The required payments to fund this deficit are $6,000 per year over 15 years starting in 2005, and $10,000 per year over 15 years

starting in 2006. The valuation also identified a solvency deficiency of $1,516,000, and a solvency ratio of 93.1%. Because the solvency ratio is less than 100%, the Company is required to make special payments of $341,000 per year over five years starting in 2007 to eliminate the shortfall. The next actuarial valuation for funding purposes will be as at December 31, 2007 but is not yet complete.

At December 31, 2007, the future required payments to fund the going concern deficit and special payments to fund the solvency deficiency were, in aggregate:

	$
2008	357
2009	357
2010	357
2011	357
2012	16
Subsequent years	122
Total minimum funding payments	1,566

6- OTHER LONG-TERM ASSETS

	2007	2006
	$	$
Deferred lease rental payment (Note 13)	378	505
Advance to an officer, secured by a mortgage, without interest or fixed repayment terms	240	240
	618	745

The fair value of the advance to an officer cannot practicably be determined due to the lack of an available trading market.

7- ASSET RETIREMENT OBLIGATION

	2007	2006
	$	$
Balance, beginning of year	2,118	2,056
Accretion expense	64	62
Balance, end of year	2,182	2,118

Under the terms of the Company's land lease with Prince Rupert Port Authority (Note 13), the Company is required to return the land to the condition the land was in at the commencement of the lease. This obligation includes alleviating any environmental damage to the land and the cost of removing certain of the Company's terminal assets from the land.

The ultimate amount of future site restoration costs to be incurred is uncertain. The amount recorded as the asset retirement obligation is based on a number of assumptions. These assumptions include the undiscounted estimated cost of alleviating environmental damage of $1,806,111 and the undiscounted estimated cost of removing terminal assets of $1,800,000, both of which are expected to be incurred at the end of the estimated useful life of the Company's terminal assets in 2024. These costs are discounted at the credit-adjusted risk-free rate of 3%.

During 2007, there were no new liabilities incurred, no liabilities settled and no revisions to estimated cash flows.

8 - DEFERRED GOVERNMENT CONTRIBUTIONS TOWARDS CAPITAL ASSETS

	2007	2006
	$	$
Balance, beginning of year	3,084	2,844
Deferred government contributions received during the year (Note 12)	-	275
Amortization of government contributions towards capital assets	(39)	(35)
Balance, end of year	3,045	3,084

9- CAPITAL STOCK & CONTRIBUTED SURPLUS

Authorized

2,000,000 common shares without par value

1,960,000 class "A", 18% non-cumulative redeemable preference shares with a stated value of $25.55 per share

217,052 class "B", 20% non-cumulative redeemable preference shares with a stated value of $230.00 per share

	2007	2006
Issued and fully paid	$	$
2,000 common shares	90,001	90,001
900,997 class "A" shares	23,021	23,021
100,089 class "B" shares	23,020	23,020
	136,042	136,042

In February 2004, the Company entered into a contribution agreement with the Government of Canada. This agreement provided the funds necessary to pay out the Company's debt obligation of $64 million. These funds have been recorded as contributed surplus in the shareholder's equity section of the balance sheet.

10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate fair market value based on the short-term maturity of these instruments.

11 - RELATED PARTY TRANSACTIONS

Ridley Terminals Inc. is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Company enters into transactions with these entities in the normal course of business under the same terms and conditions that apply to unrelated parties. The contribution agreements

with the Government of Canada described in Notes 8 & 12 and the lease agreements with the Prince Rupert Port Authority described in Note 13 are related party transactions.

12 - GOVERNMENT ASSISTANCE

	2007	2006
	$	$
Operating	-	1,522
Capital	-	275
	-	1,797

From 2004 to 2006, the Company entered into contribution agreements with the Government of Canada that provided government assistance for both the operating and capital cash flow requirements of the Company. Government assistance for the Company's operating requirements has been recorded in the Statement of Income. Government assistance for the Company's capital requirements is deferred and will be amortized to income on the same basis as the related capital assets (Note 8).

With respect to the Government contribution received in 2005, an amount of $960,428 will be repaid to the Government of Canada and is shown as a liability as at December 31, 2007. It is non-interest bearing with no fixed terms of repayment.

During 2006, the Company received $1,127,000 and recorded a receivable of $670,000 under the contribution agreement. The receivable amount was received during 2007. $1,522,353 of these contributions was used to cover the Company's operating shortfall. The remaining $274,647 of these contributions was used for the Company's capital requirements.

13 - COMMITMENTS

The Company leases land from the Prince Rupert Port Authority for its terminal facility. The original lease is for twenty-five years commencing in 1984 with a twenty-year renewal term. Lease payments are based on a rate per tonne of throughput, which is subject to escalation provisions based on increases in the Consumer Price Index for each year.

During 2005, the Company entered into an agreement with the Prince Rupert Port Authority which is expected to result in an extension of the twenty-year renewal term to a thirty-year renewal term. As part of this agreement, the Company made an advance payment of $550,000 of lease rental. The Company is applying this payment against future increases in the lease payment due to the increases in the Consumer Price Index. This payment is included in other long-term assets as a deferred lease rental payment (Note 6).

The sulphur terminal lease is for 10 years commencing in 1999 with two ten-year renewal terms. The Company's sulphur terminal lease with the Prince Rupert Port Authority was re-negotiated in 2002, with the result that lease payments ceased in 2002 and re-commenced in 2004. Total minimum lease payments due under the lease are being expensed on a straight-line basis over the term of the lease. Lease expense in excess of lease payments is shown as an accrued lease obligation in liabilities on the balance sheet.

At December 31, 2007, the future minimum lease payments were:

	$
2008	120
Total minimum lease payments	120

14 - CONTINGENCIES

The Company is subject to claims and lawsuits arising in the ordinary course of operations. While the outcome of these matters is subject to future resolution, management's evaluation and analysis of such matters indicates that, individually and in the aggregate, the probable ultimate resolution of such matters will not have a material financial impact on the Company's financial position, results of operations or liquidity. (See also note 16 - Subsequent Event)

15 - ECONOMIC DEPENDENCE

The Company is dependent upon the production of 2 coal suppliers who provided 68.4% of the Company's 2007 revenue (2006 - 57.7%). The Company and one of the suppliers have signed a throughput agreement that terminates on March 31, 2010, and provides the supplier with two options of five years each to extend the agreement. The Company and the other supplier do not have a long-term throughput agreement in place. Accounts receivable from these significant customers at December 31, 2007 was $2,744,357 (2006 - $1,704,787).

16 - SUBSEQUENT EVENT

On February 21, 2008, the Company became aware of a writ of summons that was registered with the Supreme Court of British Columbia on February 1, 2008. The writ identified the Company as a co-defendant in a statement of claim. As of March 5, 2008, the Company has not been served with the writ. Management is unable to determine the financial impact, if any, on the Company.

17 - COMPARATIVE FIGURES

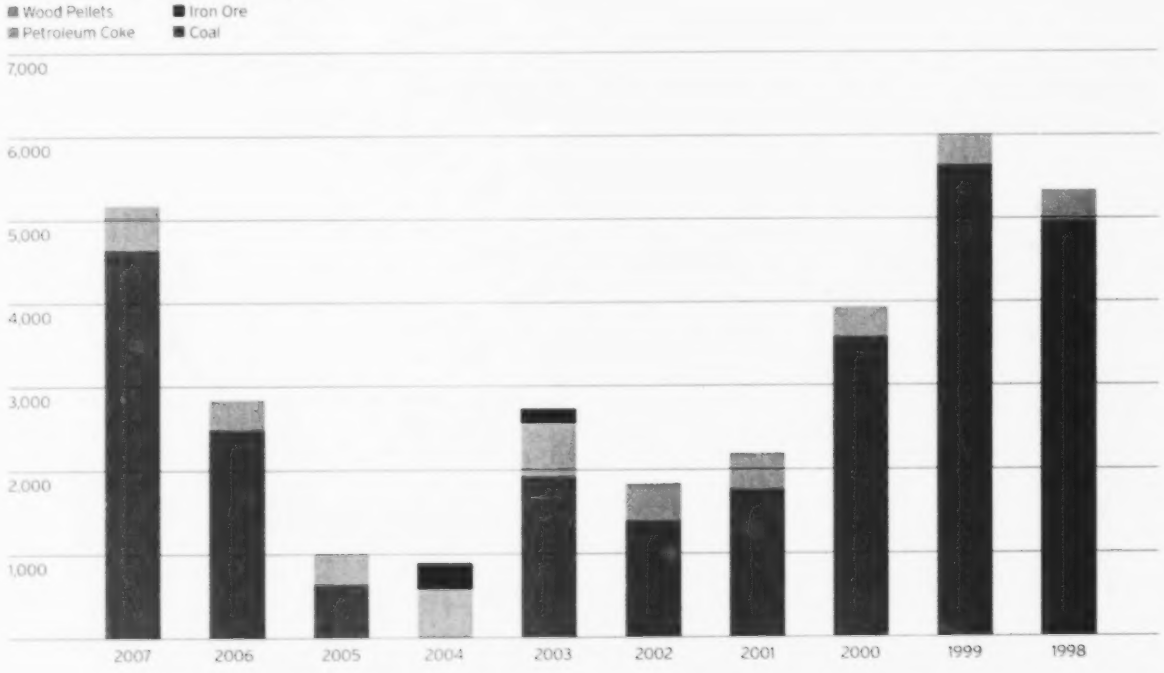
Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

FIVE YEAR COMPARATIVE INFORMATION

000's	2007	2006	2005	2004	2003
Operations					
Tonnes Shipped	5,123	2,836	1,015	905	2,702
Income					
Revenues	23,070	12,882	5,452	4,930	15,897
Investment Income	76	44	50	65	76
Expenses	(18,877)	(12,784)	(10,320)	(10,033)	(12,556)
Operating Income (Loss)	4,269	142	(4,818)	(5,038)	3,417
Interest Expense on Long-Term Debt	-	-	-	(210)	(2,244)
Government Assistance	-	1,522	4,477	3,954	-
Net Income (Loss)	4,269	1,664	(341)	(1,294)	1,173
Capital Expenditures	416	514	2,883	375	16
Balance Sheet at December 31					
Property, plant and equipment (Ppe)	12,618	12,361	12,073	9,139	9,176
Debt	-	-	-	-	63,961
Share Capital	136,042	136,042	136,042	136,042	136,042
Contributed Surplus	64,000	64,000	64,000	64,000	-
Performance Indicators					
Revenue/Tonne Shipped (Note 1)	$4.50	$4.54	$5.37	$5.45	$5.88
Operating Income (Loss)/Revenue	18.5 %	1.1 %	(89.1)%	(103.3)%	21.1 %
Net Income (Loss)/Ppe	33.8 %	13.5 %	(2.8)%	(14.2)%	12.8 %
Number of Team Members at December 31	82	61	46	45	48

Note 1:
In years where the Company has received significant amounts of storage revenue, and in years where there has been a significant increase or decrease in the amount of coal stored at the terminal, the revenue per tonne shipped is not representative of the average throughput rate charged by the Company for the handling of coal through the terminal.

PRODUCT SHIPPED in 000's tonnes



DIRECTORS

Penelope A. Denton *
Registered Nurse (retired), CHTP
Prince Rupert, BC

Byng Giraud
VP, Mining Association of BC
Delta, BC

Dave Parker *
Registered Professional Forester
(Retired)
Terrace, BC

Wayne Stoilen *
Chartered Accountant
Delta, BC

Susanne Stushnoff
Solicitor
Edmonton, Alberta

Daniel D Veniez
Businessman
Vancouver, BC

* Member of the Audit Committee

OFFICERS

Daniel D. Veniez
Chairman

Gregory A. Slocombe
President & Chief Operating Officer

Cameron D. McIntyre, CA
Operations Manager &
Corporate Secretary

MANAGEMENT

Dennis E. Blake
Materials Control Coordinator

Cordell Dixon
Controller

Thomas P. Harvey
Mechanical Coordinator

Mel Kuemper
Mechanical Coordinator

Kenneth J. Lindenberger
Operations Coordinator

Bill Myers
Human Resources Coordinator

Peter J. Petersen
Operations Coordinator

Link Simpson
Electrical Coordinator

Legal Counsel
Fasken, Martineau, DuMoulin
Vancouver, BC

External Auditors
The Office of the
Auditor General of Canada
Ottawa, Ontario

Internal Auditors
Vohora & Company
Prince Rupert, BC

For further information please contact:
Cordell Dixon
Controller
Telephone: (250) 624-9511 ex123
Facsimile: (250) 624-4990
E-mail: cdixon@rti.ca

www.rti.ca

Or write to:
Ridley Terminals Inc.
Ridley Island Coal Terminal
P.O. Bag 8000
Prince Rupert, BC V8J 4H3

Forward Looking Statements
Certain statements in this annual report are forward-looking statements and are not historical facts. Inherent in these forward-looking statements are risks and uncertainties beyond the control or the ability of the Company to predict. Future results may vary materially from any results stated or inferred by forward-looking statements contained herein.